

**SHALOM HEALTH CARE CENTER, INC
AND SHALOM, LLC**

**REPORT ON AUDIT OF
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

**SHALOM HEALTH CARE CENTER, INC
AND SHALOM, LLC
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Independent Auditors' Report

Board of Directors
Shalom Health Care Center, Inc.
and Shalom, LLC
Indianapolis, Indiana

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Shalom Health Care Center, Inc. (the Center) and Shalom, LLC, which comprise the consolidated balance sheets as of December 31, 2015 and 2014, and the related consolidated statements of operations and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated 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 consolidated 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 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 consolidated 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 Center's preparation and fair presentation of the consolidated 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 Center'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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Shalom Health Care Center, Inc. and Shalom, LLC as of December 31, 2015 and 2014, and the results of their operations, changes in net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplemental information on pages 14 - 21 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 underlining accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit 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 June 6, 2016 on our consideration of Shalom Health Care Center, Inc. and Shalom, LLC'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 the 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 Shalom Health Care Center, Inc. and Shalom, LLC's internal control over financial reporting and compliance.



June 6, 2016
Indianapolis, Indiana

SHALOM HEALTH CARE CENTER, INC AND SHALOM, LLC
CONSOLIDATED BALANCE SHEETS
DECEMBER 31,

	2015			2014		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<u>ASSETS</u>						
Current Assets:						
Cash and cash equivalents	\$ 40,690	\$ -	\$ 40,690	\$ 122,690	\$ 7,782	\$ 130,472
Patient accounts receivable, net of allowance for doubtful accounts of \$175,839 in 2015 and \$40,000 in 2014	1,256,613	-	1,256,613	801,355	-	801,355
Grants receivable	329,364	-	329,364	187,432	-	187,432
Rent receivable	31,702	-	31,702	35,117	-	35,117
Other assets	24,774	-	24,774	9,353	-	9,353
Total Current Assets	<u>1,683,143</u>	<u>-</u>	<u>1,683,143</u>	<u>1,155,947</u>	<u>7,782</u>	<u>1,163,729</u>
Property and Equipment:						
Land	344,000	-	344,000	344,000	-	344,000
Building	1,376,000	-	1,376,000	1,395,303	-	1,395,303
Software and equipment	1,444,428	-	1,444,428	1,290,800	-	1,290,800
Less: accumulated depreciation	<u>(998,892)</u>	<u>-</u>	<u>(998,892)</u>	<u>(794,351)</u>	<u>-</u>	<u>(794,351)</u>
Property and equipment, net	<u>2,165,536</u>	<u>-</u>	<u>2,165,536</u>	<u>2,235,752</u>	<u>-</u>	<u>2,235,752</u>
Total Assets	<u>\$ 3,848,679</u>	<u>\$ -</u>	<u>\$ 3,848,679</u>	<u>\$ 3,391,699</u>	<u>\$ 7,782</u>	<u>\$ 3,399,481</u>
<u>LIABILITIES AND NET ASSETS</u>						
Current Liabilities:						
Accounts payable	\$ 208,829	\$ -	\$ 208,829	\$ 123,350	\$ -	\$ 123,350
Accrued wages and related liabilities	342,789	-	342,789	189,795	-	189,795
Note payable current portion	77,225	-	77,225	73,193	-	73,193
Deferred revenue	273,083	-	273,083	112,959	-	112,959
Line of credit (Note 9)	<u>250,000</u>	<u>-</u>	<u>250,000</u>	<u>200,000</u>	<u>-</u>	<u>200,000</u>
Total Current Liabilities	<u>1,151,926</u>	<u>-</u>	<u>1,151,926</u>	<u>699,297</u>	<u>-</u>	<u>699,297</u>
Long Term Liabilities:						
Notes payable (Note 12)	<u>1,471,380</u>	<u>-</u>	<u>1,471,380</u>	<u>1,554,883</u>	<u>-</u>	<u>1,554,883</u>
Total Long Term Liabilities	<u>1,471,380</u>	<u>-</u>	<u>1,471,380</u>	<u>1,554,883</u>	<u>-</u>	<u>1,554,883</u>
Net Assets (Note 6)	<u>1,225,373</u>	<u>-</u>	<u>1,225,373</u>	<u>1,137,519</u>	<u>7,782</u>	<u>1,145,301</u>
Total Liabilities and Net Assets	<u>\$ 3,848,679</u>	<u>\$ -</u>	<u>\$ 3,848,679</u>	<u>\$ 3,391,699</u>	<u>\$ 7,782</u>	<u>\$ 3,399,481</u>

The accompanying notes are an integral part of the financial statements

SHALOM HEALTH CARE CENTER, INC AND SHALOM, LLC
CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31,

	2015			2014		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<u>REVENUE AND SUPPORT</u>						
Patient service revenue (net of contractual allowances and discounts)	\$ 3,781,808	\$ -	\$ 3,781,808	\$ 2,601,683	\$ -	\$ 2,601,683
Provision for bad debts (Note 2)	250,319	-	250,319	50,863	-	50,863
Net patient service revenue less provision for bad debts	<u>3,531,489</u>	<u>-</u>	<u>3,531,489</u>	<u>2,550,820</u>	<u>-</u>	<u>2,550,820</u>
Contributions	1,915	-	1,915	3,885	-	3,885
Contributions in-kind (Note 4)	601,993	-	601,993	606,453	-	606,453
Grants	1,725,995	657,375	2,383,370	1,589,842	354,858	1,944,700
Rental income	209,160	-	209,160	35,117	-	35,117
Other income	19,901	-	19,901	10,391	-	10,391
Gain (loss) on disposal	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,025)</u>	<u>-</u>	<u>(3,025)</u>
Revenue and Support	6,090,453	657,375	6,747,828	4,793,483	354,858	5,148,341
Net assets released from restriction	<u>665,157</u>	<u>(665,157)</u>	<u>-</u>	<u>59,858</u>	<u>(354,858)</u>	<u>(295,000)</u>
Total Revenue and Support	<u>6,755,610</u>	<u>(7,782)</u>	<u>6,747,828</u>	<u>4,853,341</u>	<u>-</u>	<u>4,853,341</u>
<u>EXPENSES</u>						
Primary care	3,467,492	-	3,467,492	2,567,064	-	2,567,064
Federally funded SBHC	884,691	-	884,691	515,181	-	515,181
Other SBHC	813,547	-	813,547	559,967	-	559,967
Administration	1,296,275	-	1,296,275	1,006,879	-	1,006,879
Fundraising	<u>1,207</u>	<u>-</u>	<u>1,207</u>	<u>400</u>	<u>-</u>	<u>400</u>
Total Expenses before depreciation	<u>6,463,212</u>	<u>-</u>	<u>6,463,212</u>	<u>4,649,491</u>	<u>-</u>	<u>4,649,491</u>
Increase (decrease) in net assets before depreciation	292,398	(7,782)	284,616	203,850	-	203,850
Depreciation expense	<u>204,544</u>	<u>-</u>	<u>204,544</u>	<u>170,429</u>	<u>-</u>	<u>170,429</u>
Total Increase (decrease) in net assets	87,854	(7,782)	80,072	33,421	-	33,421
Net assets - beginning of year	<u>1,137,519</u>	<u>7,782</u>	<u>1,145,301</u>	<u>1,104,098</u>	<u>7,782</u>	<u>1,111,880</u>
Net assets - end of year	<u>\$ 1,225,373</u>	<u>\$ -</u>	<u>\$ 1,225,373</u>	<u>\$ 1,137,519</u>	<u>\$ 7,782</u>	<u>\$ 1,145,301</u>

The accompanying notes are an integral part of the financial statements

SHALOM HEALTH CARE CENTER, INC AND SHALOM, LLC
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2015

<u>EMPLOYEE COMPENSATION</u>	<u>Primary Care</u>	<u>In Scope SBHC</u>	<u>Other SBHC</u>	<u>Total Program</u>	<u>Administration</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Salaries and wages	\$ 1,905,659	\$ 738,322	\$ 707,792	\$ 3,351,773	\$ 382,747	\$ -	\$ 3,734,520
Fringe benefits	486,785	62,390	83,876	633,051	300,042	-	933,093
Total Employee Compensation	<u>2,392,444</u>	<u>800,712</u>	<u>791,668</u>	<u>3,984,824</u>	<u>682,789</u>	<u>-</u>	<u>4,667,613</u>
 <u>OTHER EXPENSES</u>							
Contracted services	73,482	-	1,844	75,326	58,240	-	133,566
Professional fees	63,816	-	-	63,816	57,884	-	121,700
Laboratory	1,072	-	-	1,072	-	-	1,072
Pharmacy	558,141	7,570	3,429	569,140	-	-	569,140
Supplies	102,116	12,500	6,522	121,138	16,760	-	137,898
Repairs and maintenance	21,022	-	-	21,022	27,023	-	48,045
Rent	2,348	54,500	-	56,848	803	-	57,651
Insurance	9,861	-	7,809	17,670	20,327	-	37,997
Interest	96,232	-	-	96,232	1,367	-	97,599
Telephone	13,774	-	-	13,774	54,550	-	68,324
Postage	2,044	791	74	2,909	1,224	-	4,133
Personnel recruitment	11,944	1,221	2,201	15,366	30,551	-	45,917
Licenses, dues, and subscriptions	12,564	222	-	12,786	23,709	-	36,495
Printing	10,867	-	-	10,867	4,200	-	15,067
Travel	17,298	740	-	18,038	45,056	-	63,094
Professional development	14,963	6,435	-	21,398	41,031	-	62,429
Information technology	2,380	-	-	2,380	149,736	-	152,116
Advertising	-	-	-	-	24,135	-	24,135
Education and Community Relations	1,252	-	-	1,252	27,128	-	28,380
Fundraising	-	-	-	-	-	1,207	1,207
Miscellaneous	59,872	-	-	59,872	29,762	-	89,634
Total Expenses	<u>\$ 3,467,492</u>	<u>\$ 884,691</u>	<u>\$ 813,547</u>	<u>\$ 5,165,730</u>	<u>\$ 1,296,275</u>	<u>\$ 1,207</u>	<u>\$ 6,463,212</u>

The accompanying notes are an integral part of the financial statements

SHALOM HEALTH CARE CENTER, INC AND SHALOM, LLC
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2014

<u>EMPLOYEE COMPENSATION</u>	<u>Primary Care</u>	<u>In Scope SBHC</u>	<u>Other SBHC</u>	<u>Total Program</u>	<u>Administration</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Salaries and wages	\$ 1,229,059	\$ 413,515	\$ 483,229	\$ 2,125,803	\$ 344,165	\$ -	\$ 2,469,968
Fringe benefits	328,007	42,600	56,932	427,539	170,209	-	597,748
Total Employee Compensation	<u>1,557,066</u>	<u>456,115</u>	<u>540,161</u>	<u>2,553,342</u>	<u>514,374</u>	<u>-</u>	<u>3,067,716</u>
 <u>OTHER EXPENSES</u>							
Contracted services	83,082	-	6,155	89,237	38,829	-	128,066
Professional fees	59,081	-	-	59,081	53,521	-	112,602
Laboratory	80,712	-	-	80,712	-	-	80,712
Pharmacy	491,603	1,884	853	494,340	-	-	494,340
Supplies	84,807	10,769	5,700	101,276	16,927	-	118,203
Repairs and maintenance	10,190	-	-	10,190	5,217	-	15,407
Rent	98,892	39,500	-	138,392	33,844	-	172,236
Insurance	3,269	-	5,733	9,002	18,991	-	27,993
Telephone	4,099	-	-	4,099	16,231	-	20,330
Postage	2,022	782	75	2,879	1,211	-	4,090
Personnel recruitment	7,001	716	1,290	9,007	17,907	-	26,914
Licenses, dues, and subscriptions	6,011	268	-	6,279	27,719	-	33,998
Printing	11,559	-	-	11,559	4,468	-	16,027
Travel	15,004	689	-	15,693	40,667	-	56,360
Professional development	10,366	4,458	-	14,824	28,494	-	43,318
Information technology	2,796	-	-	2,796	92,815	-	95,611
Advertising	-	-	-	-	52,506	-	52,506
Education and Community Relations	536	-	-	536	11,620	-	12,156
Fundraising	-	-	-	-	-	400	400
Miscellaneous	38,968	-	-	38,968	31,538	-	70,506
Total Expenses	<u>\$ 2,567,064</u>	<u>\$ 515,181</u>	<u>\$ 559,967</u>	<u>\$ 3,642,212</u>	<u>\$ 1,006,879</u>	<u>\$ 400</u>	<u>\$ 4,649,491</u>

The accompanying notes are an integral part of the financial statements

SHALOM HEALTH CARE CENTER, INC AND SHALOM, LLC
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31,

	2015	2014
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Change in net assets	\$ 80,072	\$ 33,421
Adjustments to reconcile net assets to net cash provided by (used in) operations:		
Depreciation	204,544	170,429
Loss on disposal of fixed asset	-	3,025
Provision for bad debts	250,319	50,863
Decrease (increase) in operating assets:		
Patient accounts receivable	(705,577)	(426,321)
Grants receivable	(141,932)	(116,564)
Rent receivable	3,415	(35,117)
Other assets	(15,421)	(8,966)
Increase (decrease) in operating liabilities:		
Accounts payable	85,479	99,059
Accrued wages and related liabilities	152,994	71,454
Deferred revenue	160,124	(791)
Net Cash Provided by (Used in) Operating Activities	74,017	(159,508)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Disposal of equipment	-	(25,499)
Purchases of property and equipment	(134,328)	(1,756,561)
Net Cash Provided by (Used in) Investing Activities	(134,328)	(1,782,060)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Payments on notes payable	(79,471)	1,628,076
Payments on line of credit	(260,000)	-
Proceeds from line of credit	310,000	200,000
Net Cash Provided by (Used in) Financing Activities	(29,471)	1,828,076
Net increase (decrease) in cash	(89,782)	(113,492)
Cash - beginning of year	130,472	243,964
Cash - end of year	\$ 40,690	\$ 130,472
Interest paid	\$ 97,599	\$ 8,609

The accompanying notes are an integral part of the financial statements

SHALOM HEALTH CARE CENTER, INC AND SHALOM, LLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

1. NATURE OF THE ORGANIZATION

Shalom Health Care Center, Inc. (the Center) was founded in 2002. Its purpose is to provide a full range of primary and preventive health care services to all residents of the Center's service area, regardless of the ability to pay. The Center's major programs consist of primary and preventive care and school-based health clinics (SBHC), all of which are subsidized by state, federal and local grants. The Center receives federal assistance as a Federally Qualified Health Center.

2. SIGNIFICANT ACCOUNTING POLICIES

The Center maintains its accounting records on the accrual basis.

The consolidated financial statements include the Center and Shalom, LLC., (collectively, the Center) which was formed during 2014 for the purpose of holding real estate for the Center. Shalom, LLC is 100% owned by the Center and all material inter-company accounts and transactions have been eliminated.

The preparation of financial statements in conformity with generally accepted accounting principles 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 amount of revenues and expenses during the reporting period. Actual results may differ from these estimates.

Plant, property, and equipment are stated at cost or, for donations, at fair market value at the date of donation. Depreciation is computed over the estimated useful life, generally three to seven years for equipment and twenty seven and a half for buildings, using the straight-line method. Purchases are capitalized at management's discretion.

The Center reviews its software and equipment for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. If the property is considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the property exceeds the fair value of such property. There was no impairment loss recognized in 2015 or 2014.

Accounts receivable are reduced by an allowance for doubtful accounts. In evaluating the collectability of accounts receivable, the Center analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for bad debts. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts. For receivables associated with services provided to patients who have third-party coverage, the Center analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for bad debts, if necessary (for example, for expected uncollectible deductibles and copayments on accounts for which the third-party payor has not yet paid, or for payors who are known to be having financial difficulties that make the realization of amounts due unlikely).

(Continued)

2. SIGNIFICANT ACCOUNTING POLICIES - Continued

For receivables associated with self-pay patients, (which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), the Center records a significant provision for bad debts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates or discounted rates and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts.

Retroactively calculated third-party contractual settlements are accrued on an estimated basis in the period the related services are rendered. Net patient service revenue is adjusted as required in subsequent periods based on final settlements.

The Center recognizes patient service revenue associated with services provided to patients who have third-party payor coverage on the basis of contractual rates for the services rendered. For uninsured patients that do not qualify for charity care, the Center recognizes revenue on the basis of its standard rates for services provided (or on the basis of discounted rates, if negotiated or provided by policy). On the basis of historical experience, a significant portion of the Center's uninsured patients will be unable or unwilling to pay for the services provided. Thus, the Center records a significant provision for bad debts related to uninsured patients in the period the services are provided. Patient service revenue, net of contractual allowances and discounts (but before the provision for bad debts), recognized in the period from these major payor sources, is as follows:

<u>2015</u>	<u>Third-Party Payors</u>	<u>Insurance</u>	<u>Private Pay</u>	<u>Total All Payors</u>
Patient service revenue (net of contractual allowances and discounts)	<u>\$ 3,342,864</u>	<u>\$ 89,042</u>	<u>\$ 349,902</u>	<u>\$ 3,781,808</u>
<u>2014</u>				
Patient service revenue (net of contractual allowances and discounts)	<u>\$ 2,089,277</u>	<u>\$ 197,991</u>	<u>\$ 314,415</u>	<u>\$ 2,601,683</u>

(Continued)

2. SIGNIFICANT ACCOUNTING POLICIES - Continued

The Center has reported two classes of net assets in these financial statements, those which are temporarily restricted, and those which are unrestricted. Temporarily restricted net assets are net assets in which the donor has imposed restrictions as to the assets' use related to either the timing or the purpose of such use. When such restrictions are met, the net assets are released from restriction into unrestricted net assets. Contributions for which the restrictions are met in the same period in which the contribution is received are recorded as unrestricted funds. Unrestricted net assets are those net assets in which management possesses full discretionary power as to use. The Center has no permanently restricted net assets.

Certain prior year amounts have been reclassified to conform to the current year presentation. The reclassifications have no effect on the increase (decrease) in net assets.

For purposes of the statements of cash flows, investments with an original maturity of three months or less are considered to be cash equivalents.

The Center has been recognized by the Internal Revenue Service as a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code (IRC) and is exempt from federal income taxes (pursuant to Section 501(a) of the IRC) unless tax on unrelated business income is applicable. Shalom, LLC is a single member LLC and its activities are combines with the Center's tax filings. Management believes that the Center has adequately addressed all relevant tax positions and that there are no unrecorded liabilities. Management believes it is no longer subject to income tax examination for years prior to 2012.

3. CASH CONCENTRATION

The Center maintains its cash in bank accounts, the balances of which may exceed federally insured limits at times. As of December 31, 2015 and 2014, there was no such excess. The Center has not experienced any losses in its accounts and management believes it is not exposed to any significant credit risk on cash and cash equivalents.

4. CONTRIBUTIONS IN-KIND

The Center received in-kind contributions for pharmacy and laboratory services and operating space. Amounts of in-kind contributions are as follows:

	<u>2015</u>	<u>2014</u>
Pharmacy services	\$ 547,493	\$ 488,953
Laboratory services	-	78,000
Operating space	<u>54,500</u>	<u>39,500</u>
Total	<u>\$ 601,993</u>	<u>\$ 606,453</u>

5. RETIREMENT PLAN

The Center offers a Section 403(b) retirement plan to eligible employees. Under the plan, the Center matches employee contributions 1 for 1 up to 3% and ½ to 1 for employee contributions greater than 3% up to 5%. For the years ended December 31, 2015 and 2014, the Center contributed \$59,540 and \$15,856 to this plan, respectively.

6. TEMPORARILY RESTRICTED NET ASSETS AS RESTATED

Temporarily restricted funds at December 31, consisted of the following:

	<u>2015</u>	<u>2014</u>
eClinicalWorks SU	<u>\$ -</u>	<u>\$ 7,782</u>

7. REVENUE FROM CONTRACTING AGENCIES

The Center participates as a provider of health care services to Medicare and Medicaid patients. Reimbursement for covered services is based on prospective payment rates. Final reimbursement is determined after submission of annual cost reports and audits thereof by the fiscal intermediaries. Provisions for estimated reimbursement adjustments are reported in the financial statements in the period that the services are rendered.

Revenue from Medicare and Medicaid accounted for approximately 88% and 80% of total net patient service revenue in 2015 and 2014, respectively. Laws and regulations governing the Medicare program are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change in the near term.

8. LEASED PREMISES

During 2010, the Center renewed and extended its lease agreement for office space located on the second floor of 3400 Lafayette Road, Indianapolis, Indiana. In 2014, the Center purchased the leased premises with the mortgage described in Note 12. The Center made no lease payments in 2015 and \$175,936 during 2014.

On December 22, 2015, the Center entered into a seven year lease agreement for office space located at 5750 W. 56th St., Indianapolis, Indiana. The lease calls for monthly base rent payments of \$6,646 for the first twelve months, \$9,531 for the second twelve months, \$13,292 for the third twelve months, and \$13,691 for the fourth twelve months and increasing by 3% a year for the remainder of the lease. No lease payments were made in 2015.

9. LINE OF CREDIT

The Center has a \$400,000 line of credit with a local bank. The terms of the instrument state a variable interest rate of 1% above the bank's prime rate. Per the note, the Center must maintain a minimum net worth of \$200,000 and a current ratio between 1.0 and 1.5. There was an outstanding balance of \$250,000 and \$200,000 as of December 31, 2015 and 2014, respectively.

10. CONCENTRATIONS OF CREDIT RISK

The Center grants credit without collateral to its patients, most of whom are local residents and are either uninsured or insured under third-party payor agreements. The mix of receivables from patients and third-party payors at December 31, was as follows:

	<u>2015</u>	<u>2014</u>
Medicaid	90%	87%
Medicare	2%	2%
Private pay	5%	6%
Private insurance	2%	3%
Other	1%	2%
Total	<u>100%</u>	<u>100%</u>

11. CONSOLIDATED ENTITY

Shalom, LLC, a wholly owned subsidiary of the Center, has been consolidated into these financial statements. Shalom, LLC is a corporation formed to hold real estate for the benefit of the Center. All significant intercompany accounts have been eliminated. Below is a summary of significant financial information as of December 31, 2015 and 2014, and for the years then ended, for Shalom, LLC that has been consolidated in these statements.

	<u>2015</u>	<u>2014</u>
Total Assets	\$ 1,715,536	\$ 1,752,266
Total Liabilities	<u>1,692,995</u>	<u>1,752,117</u>
Total Net Assets	<u>\$ 22,541</u>	<u>\$ 149</u>
Total Revenues	<u>\$ 381,960</u>	<u>\$ 63,917</u>
Total Expenses	<u>\$ 359,568</u>	<u>\$ 54,503</u>

12. NOTE PAYABLE

During 2014, the Shalom, LLC obtained a mortgage from IFF in the amount of \$1,634,000, secured by certain real estate, and matures on December 1, 2029. The note requires monthly payments of \$13,243. The note stipulates the interest rate will be recalculated twice in 5 year increments. An interest rate of 5.375% is effective until October 31, 2019. The first interest rate recalculation will be effective on November 1, 2019.

Scheduled future maturities over the next five years are as follows:

2016	\$ 99,141
2017	148,711
2018	148,711
2019	148,711
2020	148,711
Thereafter	<u>346,992</u>
Total	<u>\$ 1,040,977</u>

14. SUBSEQUENT EVENTS

Subsequent events have been evaluated through June 6, 2016, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.

SUPPLEMENTAL INFORMATION

SHALOM HEALTH CARE CENTER, INC AND SHALOM, LLC
DETAILS OF CONSOLIDATION
BALANCE SHEET
FOR THE YEAR ENDED DECEMBER 31, 2015

<u>ASSETS</u>	<u>Shalom Health Care Center, Inc.</u>	<u>Shalom, LLC</u>	<u>Eliminating Entries</u>	<u>Consolidated</u>
Current Assets:				
Cash and cash equivalents	\$ 40,590	\$ 100	\$ -	\$ 40,690
Patient accounts receivable, net of allowance for doubtful accounts of \$175,839 in 2015 and \$40,000 in 2014	1,256,613	-	-	1,256,613
Grants receivable	329,364	-	-	329,364
Rent receivable	-	31,702	-	31,702
Accounts receivable - Shalom, LLC	97,503	-	(97,503)	-
Other assets	<u>20,119</u>	<u>4,655</u>	<u>-</u>	<u>24,774</u>
Total Current Assets	<u>1,744,189</u>	<u>36,457</u>	<u>(97,503)</u>	<u>1,683,143</u>
Property and Equipment:				
Land	-	344,000	-	344,000
Building	-	1,376,000	-	1,376,000
Software and equipment	1,421,889	22,539	-	1,444,428
Less: accumulated depreciation	<u>(935,432)</u>	<u>(63,460)</u>	<u>-</u>	<u>(998,892)</u>
Property and equipment, net	<u>486,457</u>	<u>1,679,079</u>	<u>-</u>	<u>2,165,536</u>
Total Assets	<u>\$ 2,230,646</u>	<u>\$ 1,715,536</u>	<u>\$ (97,503)</u>	<u>\$ 3,848,679</u>
<u>LIABILITIES AND NET ASSETS</u>				
Current Liabilities:				
Accounts payable	\$ 196,942	\$ 11,887	\$ -	\$ 208,829
Accounts payable - Shalom Health Care Center, Inc.	-	97,503	(97,503)	-
Accrued wages and related liabilities	342,789	-	-	342,789
Note payable current portion	-	77,225	-	77,225
Deferred revenue	273,083	-	-	273,083
Line of credit	<u>215,000</u>	<u>35,000</u>	<u>-</u>	<u>250,000</u>
Total Current Liabilities	<u>1,027,814</u>	<u>221,615</u>	<u>(97,503)</u>	<u>1,151,926</u>
Long Term Liabilities:				
Notes payable	<u>-</u>	<u>1,471,380</u>	<u>-</u>	<u>1,471,380</u>
Total Long Term Liabilities	<u>-</u>	<u>1,471,380</u>	<u>-</u>	<u>1,471,380</u>
Net Assets	<u>1,202,832</u>	<u>22,541</u>	<u>-</u>	<u>1,225,373</u>
Total Liabilities and Net Assets	<u>\$ 2,230,646</u>	<u>\$ 1,715,536</u>	<u>\$ (97,503)</u>	<u>\$ 3,848,679</u>

See Auditors' Report.

SHALOM HEALTH CARE CENTER, INC AND SHALOM, LLC
DETAILS OF CONSOLIDATION
STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2015

<u>REVENUE AND SUPPORT</u>	Shalom Health Care Center, Inc.	Shalom, LLC	Eliminating Entries	Consolidated
Patient service revenue (net of contractual allowances and discounts)	\$ 3,781,808	\$ -	\$ -	\$ 3,781,808
Provision for bad debts	<u>250,319</u>	<u>-</u>	<u>-</u>	<u>250,319</u>
Net patient service revenue less provision for bad debts	<u>3,531,489</u>	<u>-</u>	<u>-</u>	<u>3,531,489</u>
Contributions	1,915	-	-	1,915
Contributions in-kind	601,993	-	-	601,993
Grants	2,383,370	-	-	2,383,370
Rental income	-	381,960	(172,800)	209,160
Interest income	19,901	-	-	19,901
Gain (loss) on disposal	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenue and Support	<u>6,538,668</u>	<u>381,960</u>	<u>(172,800)</u>	<u>6,747,828</u>
<u>EXPENSES</u>				
Primary care	3,455,407	184,885	(172,800)	3,467,492
Federally funded SBHC	884,691	-	-	884,691
Other SBHC	808,714	4,833	-	813,547
Administration	1,177,378	118,897	-	1,296,275
Fundraising	<u>1,207</u>	<u>-</u>	<u>-</u>	<u>1,207</u>
Total Expenses before depreciation	<u>6,327,397</u>	<u>308,615</u>	<u>(172,800)</u>	<u>6,463,212</u>
Increase (decrease) in net assets before depreciation	211,271	73,345	-	284,616
Depreciation expense	<u>153,591</u>	<u>50,953</u>	<u>-</u>	<u>204,544</u>
Total Increase (decrease) in net assets	57,680	22,392	-	80,072
Net assets - beginning of year	<u>1,145,152</u>	<u>149</u>	<u>-</u>	<u>1,145,301</u>
Net assets - end of year	<u>\$ 1,202,832</u>	<u>\$ 22,541</u>	<u>\$ -</u>	<u>\$ 1,225,373</u>

See Auditors' Report.

SHALOM HEALTH CARE CENTER, INC AND SHALOM, LLC
BALANCE SHEET RECONCILIATION
DECEMBER 31, 2015

ASSETS

Total assets per audited financial statements	\$ 3,848,679
Add eliminated intercompany receivable	<u>97,503</u>
	<u>\$ 3,946,182</u>
Total assets, per internal financial statements	<u>\$ 3,946,182</u>

LIABILITIES

Total liabilities, per audited financial statements	\$ 2,623,306
Add eliminated intercompany payable	<u>97,503</u>
	<u>\$ 2,720,809</u>
Total liabilities, per internal financial statements	<u>\$ 2,720,809</u>

NET ASSETS

Total net assets, per audited financial statements	<u>\$ 1,225,373</u>
Total fund balance, per internal financial statements	<u>\$ 1,225,373</u>

LIABILITIES AND NET ASSETS

Total liabilities and net assets per, audited financial statements	\$ 3,848,679
Add eliminated intercompany payable	<u>97,503</u>
	<u>\$ 3,946,182</u>
Total current liabilities and fund balance, per internal financial statements	<u>\$ 3,946,182</u>

See Auditors' Report.

SHALOM HEALTH CARE CENTER, INC AND SHALOM, LLC
STATEMENTS OF OPERATIONS AND CHANGES
IN NET ASSETS RECONCILIATION
FOR THE YEAR ENDED DECEMBER 31, 2015

REVENUE AND SUPPORT

Total revenue per audited financial statements	\$ 6,747,828
Less temporarily restricted revenue and support	-
	<u>\$ 6,747,828</u>

Total revenue, per internal financial statements	\$ 7,170,946
Temporarily restricted revenue and support	-
Bad debt	(250,319)
Accounting software rounding error	1
Less intercompany rent revenue	(172,800)
	<u>\$ 6,747,828</u>

EXPENSES

Total expenses before depreciation, per audited financial statements	\$ 6,463,212
Bad debt, per internal financial statements	250,319
Depreciation expense, per audited financial statements	204,544
	<u>\$ 6,918,075</u>

Total expenses before depreciation, per internal financial statements	\$ 6,886,331
Depreciation expense, per internal financial statements	204,544
Less intercompany rent expense	(172,800)
	<u>\$ 6,918,075</u>

INCREASE IN NET ASSETS

Increase in net assets, per audited financial statements	<u>\$ 80,072</u>
Excess of revenues over expenses, per supplemental information	<u>\$ 80,072</u>

See Auditors' Report.

**SHALOM HEALTH CARE CENTER, INC AND SHALOM, LLC
RECONCILIATION OF AUDITED STATEMENTS OF FUNCTIONAL EXPENSES
TO SUPPLEMENTAL INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2015**

PRIMARY CARE

Total, per audited financial statements	\$ <u>3,467,492</u>
Total, per supplemental information	\$ 3,845,965
Bad debt, per supplemental information	(250,319)
Intercompany rent	(128,154)
Difference due to rounding	
	\$ <u>3,467,492</u>

IN SCOPE SBHC

Total, per audited financial statements	\$ <u>884,691</u>
Total, per supplemental information	\$ 886,505
Intercompany rent	(1,814)
	\$ <u>884,691</u>

OTHER SBHC

Total, per audited financial statements	\$ <u>813,547</u>
Total, per supplemental information	\$ <u>813,547</u>

ADMINISTRATION

Total, per audited financial statements	\$ <u>1,296,275</u>
Total, Shared Costs, per supplemental information	\$ 1,400,745
Intercompany rent	(104,470)
	\$ <u>1,296,275</u>

FUNDRAISING

Total, per audited financial statements	\$ <u>1,207</u>
Total per supplemental information	\$ <u>1,207</u>

See Auditors' Report.

SHALOM HEALTH CARE CENTER, INC AND SHALOM, LLC
STATEMENT OF FINANCIAL POSITION
ALL FUNDS
DECEMBER 31, 2015

Assets	2015
Current Assets	
Cash On Hand	18,237
Certificates of Deposit	-
Accounts Receivable	
Medicaid	1,143,933
Medicare	28,007
Self Pay	58,578
Private Insurance	22,919
Other	-
Subtotal - Patient A/R - Net	1,253,437
Other Receivables	
Rent Income	31,702
Advantage Program	6,000
Indiana State Dept of Health	47,023
Learning Well, Inc.	30,091
Marion County Health Dept - Ryan White	11,941
Other Receivables	357,853
Subtotal - Other A/R	484,610
Prepaid Expenses	6,416
Short-Term Investments	-
<i>Total Current Assets</i>	1,762,700
Fixed (Long-Term) Assets	
Land	344,000
Building	1,313,454
Building Improvements	5,275
Computer Hardware & Software	286,915
Fixed Assets	12,206
Furniture & Fixtures	(140,284)
Leasehold Improvements	292,766
Moveable Equipment	48,000
Other Assets (Fixed)	3,203
(Less Accumulated Depreciation - Building)	0
(Less Accumulated Depreciation - Building Improvement)	0
(Less Accumulated Depreciation - Moveable Equipment)	0
(Less Accumulated Depreciation - Fixed Equipment)	0
(Less Accumulated Depreciation - Other Fixed Assets)	0
<i>Total Fixed Assets</i>	2,165,535
Other Assets	
Security Deposits	17,947
Other	-
<i>Total Other Assets</i>	17,947
Total Assets	3,946,182
Liabilities and Fund Balance	
Current Liabilities	
Accounts Payable - Trade	364,958
Accounts Payable - Payroll Taxes	45,408
Due to/from Shalom Health Care Center	97,503
Line of Credit	250,000
Accrued Salaries and Wages	141,252
Deferred Revenue	273,083
Loans - Short Term	-
<i>Total Current Liabilities</i>	1,172,204
Long-Term Liabilities	
Accounts Payable - IFF- Long-Term Debt	1,548,605
Other	-
<i>Total Long-Term Liabilities</i>	1,548,605
Fund Balance	
Unrestricted Net Assets	1,225,373
Temporarily Restricted Net Assets	-
Permanently Restricted Net Assets	-
<i>Total Fund Balance</i>	1,225,373
Total Liabilities and Fund Balance	3,946,182

See Auditors' Report.

**STATEMENT OF FINANCIAL POSITION
ALL FUNDS
JANUARY – DECEMBER 2015**

Revenue	
Federal and State Grant Revenues	\$ 1,338,955
Other Grant Revenues	1,553,117
Fundraising/Development Revenues	1,915
Third Party Revenues - Net	
Medicaid	2,877,536
Medicare	41,241
Private Insurance	89,042
Self Pay	265,286
Subtotal - Third Party Revenues - Net	3,273,105
Rent Income	381,960
Other	19,901
Total Revenues before In-Kind	6,568,953
In-Kind Revenues	601,993
Total Revenues	\$ 7,170,946

Expenses	
Salaries and Wages	3,782,926
Fringe Benefits	884,687
Total Salaries & Wages including Fringe Benefits	4,667,613
Contracted Services	133,565
Professional Fees	118,717
Laboratory	2,902
Pharmacy	24,947
Supplies	136,073
Repairs & Maintenance	15,699
Rent & Utilities	237,244
Insurance	37,997
Telephone	12,790
Postage & Printing	19,201
Personnel Recruitment	45,917
Licenses, Dues, and Subscriptions	36,790
Travel	63,094
Professional Development	62,429
Information Technology	154,498
Advertising	24,135
Education and Community Relations	28,380
Fundraising	1,207
Property Taxes	19,843
Interest Expense	97,599
Equipment	34,204
Miscellaneous	59,174
Bad Debt	250,319
In-Kind Expenses	601,993
Total Operating Expenses before Depreciation	2,218,718
Total Expenses before Depreciation	6,886,331

Excess Revenue over Expenses b/f Depreciation	284,615
Depreciation	204,544
Excess Revenue over Expenses	\$ 80,072

See Auditors' Report.

SHALOM HEALTH CARE CENTER, INC AND SHALOM, LLC
STATEMENT OF FUNCTIONAL EXPENSES
ALL FUNDS
JANUARY – DECEMBER 2015

Expenses	Primary Care Clinic	SBHC In-Scope	SBHC Out-of Scope	Total Program	Admin	Fundraising	Total Expenses
Salaries and Wages	1,905,659	738,322	707,792	3,351,773	382,747	0	3,734,520
Fringe Benefits	486,785	62,390	83,876	633,051	300,042	0	933,093
Total Salaries & Wages including Fringe Benefits	2,392,444	800,712	791,668	3,984,824	682,789	-	4,667,613
Contracted Services	73,482	0	1,844	75,326	58,240	0	133,566
Professional Fees	63,816	0	0	63,816	57,884	0	121,700
Laboratory	1,072	0	0	1,072	0	0	1,072
Pharmacy	10,468	7,570	3,429	21,467	0	0	21,467
Supplies	102,116	12,500	6,522	121,138	16,760	0	137,898
Repairs & Maintenance	21,022	0	0	21,022	27,023	0	48,045
Rent	130,683	1,814	0	132,497	105,903	0	238,399
Insurance	9,861	0	7,809	17,670	20,327	0	37,997
Telephone & Utilities	13,774	0	0	13,774	54,550	0	68,324
Postage & Printing	12,911	791	74	13,776	5,424	0	19,200
Personnel Recruitment	11,944	1,221	2,201	15,366	30,551	0	45,917
Licenses, Dues, and Subscriptions	12,564	222	0	12,786	23,079	0	35,865
Travel	17,298	740	0	18,038	45,056	0	63,094
Professional Development	14,963	6,435	0	21,398	41,031	0	62,429
Information Technology	2,380	0	0	2,380	149,736	0	152,116
Advertising	0	0	0	0	24,135	0	24,135
Education and Community Relations	1,252	0	0	1,252	27,128	0	28,380
Fundraising	0	0	0	0	0	1,207	1,207
Interest Expense	96,232	0	0	96,232	1,367	0	97,599
Miscellaneous	59,872	0	0	59,872	29,762	0	89,634
Bad Debt	250,319	0	0	250,319	0	0	250,319
In-Kind Expenses	547,493	54,500	0	601,993	0	0	601,993
Total Operating Expenses	1,453,521	85,793	21,879	1,561,193	717,956	1,207	2,280,355
Total Expenses	3,845,965	886,505	813,547	5,546,017	1,400,745	1,207	6,947,968

See Auditors' Report.