



Midwest Health Center for Women

MIDWEST HEALTH CENTER FOR WOMEN

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Midwest Health Center for Women
Minneapolis, Minnesota

We have audited the accompanying statement of financial position of **Midwest Health Center for Women** (the Organization), as of June 30, 2009, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Organization's 2008 financial statements, and in our report dated September 24, 2008, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we do not express such an opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Midwest Health Center for Women**, as of June 30, 2009, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Eide Bailley LLP

Minneapolis, Minnesota
October 13, 2009

MIDWEST HEALTH CENTER FOR WOMEN
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2009 (WITH COMPARATIVE TOTALS FOR 2008)

	<u>2009</u>	<u>2008</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 316,788	\$ 252,556
Temporary investments	266,110	261,643
Patient accounts receivable, net of allowance for doubtful accounts and discounts of \$132,399 and \$195,855	88,695	141,179
Grants receivable	47,466	48,943
Notes receivable	13,584	13,584
Inventory	29,492	40,557
Prepaid expenses	41,503	31,875
	<u>803,638</u>	<u>790,337</u>
PROPERTY AND EQUIPMENT		
Medical equipment	40,160	40,160
Office equipment	115,886	108,934
Leasehold improvement	71,815	71,815
	<u>227,861</u>	<u>220,909</u>
Accumulated depreciation	(187,127)	(207,476)
	<u>40,734</u>	<u>13,433</u>
OTHER ASSETS		
Notes receivable, net of current portion	26,179	38,957
	<u>\$ 870,551</u>	<u>\$ 842,727</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 61,587	\$ 92,397
Accrued expenses	68,952	73,215
	<u>130,539</u>	<u>165,612</u>
NET ASSETS		
Unrestricted	740,012	677,115
	<u>\$ 870,551</u>	<u>\$ 842,727</u>

MIDWEST HEALTH CENTER FOR WOMEN
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2009 (WITH COMPARATIVE TOTALS FOR 2008)

	<u>2009</u>	<u>2008</u>
PUBLIC SUPPORT AND REVENUE		
Public support		
Government grants	\$ 195,147	\$ 151,418
Individual contributions	99,825	142,334
Total public support	<u>294,972</u>	<u>293,752</u>
Revenue		
Program service fees	3,358,506	3,191,989
Less allowances and discounts	(1,583,934)	(1,521,823)
Other income	29,066	26,892
Total revenue	<u>1,803,638</u>	<u>1,697,058</u>
Total public support and revenue	<u>2,098,610</u>	<u>1,990,810</u>
EXPENSES		
Program services		
Patient care	1,671,364	1,554,698
Legislative issues/advocacy	45,175	54,540
Total program services	<u>1,716,539</u>	<u>1,609,238</u>
Supporting services		
Management and general	183,150	170,056
Fundraising	136,024	109,503
Total supporting services	<u>319,174</u>	<u>279,559</u>
Total expenses	<u>2,035,713</u>	<u>1,888,797</u>
CHANGE IN NET ASSETS	62,897	102,013
NET ASSETS, BEGINNING OF YEAR	<u>677,115</u>	<u>575,102</u>
NET ASSETS, END OF YEAR	<u>\$ 740,012</u>	<u>\$ 677,115</u>

MIDWEST HEALTH CENTER FOR WOMEN
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2009 (WITH COMPARATIVE TOTALS FOR 2008)

	2009							2008 Total Expenses
	Program Services			Supporting Services				
	Patient Care	Legislative Issues/ Advocacy	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total Expenses	
Salaries	\$ 742,699	\$ 4,016	\$ 746,715	\$ 99,760	\$ 68,783	\$ 168,543	\$ 915,258	\$ 916,331
Employee benefits	48,087	260	48,347	6,459	4,453	10,912	59,259	53,450
Payroll taxes	136,151	736	136,887	18,288	12,609	30,897	167,784	155,229
Total salaries and related expenses	926,937	5,012	931,949	124,507	85,845	210,352	1,142,301	1,125,010
Occupancy	152,610	825	153,435	20,499	14,134	34,633	188,068	180,152
Contracted services	-	36,196	36,196	19,782	-	19,782	55,978	53,752
Medical supplies	440,013	-	440,013	-	-	-	440,013	320,990
Administrative supplies	18,717	101	18,818	2,514	1,733	4,247	23,065	30,627
Insurance	49,737	-	49,737	-	-	-	49,737	59,855
Advertising	19,062	-	19,062	-	-	-	19,062	24,574
Dues and publications	2,061	-	2,061	1,075	-	1,075	3,136	7,027
NAF/Educational meetings	1,593	-	1,593	-	-	-	1,593	3,531
Advocacy Fund contributions	-	2,997	2,997	-	-	-	2,997	3,042
New program planning	9,750	-	9,750	-	-	-	9,750	5,343
Technology	4,040	-	4,040	9,365	-	9,365	13,405	12,563
Travel, mileage and parking	-	-	-	115	-	115	115	390
Bank service charges	7,293	-	7,293	1,823	-	1,823	9,116	9,950
Board expenses	-	-	-	2,372	-	2,372	2,372	3,953
Fundraising	-	-	-	-	33,555	33,555	33,555	16,353
Bad debt	31,374	-	31,374	-	-	-	31,374	24,930
Total expenses	1,663,187	45,131	1,708,318	182,052	135,267	317,319	2,025,637	1,882,042
Depreciation	8,177	44	8,221	1,098	757	1,855	10,076	6,755
	<u>\$ 1,671,364</u>	<u>\$ 45,175</u>	<u>\$ 1,716,539</u>	<u>\$ 183,150</u>	<u>\$ 136,024</u>	<u>\$ 319,174</u>	<u>\$ 2,035,713</u>	<u>\$ 1,888,797</u>

See Notes to Financial Statements

MIDWEST HEALTH CENTER FOR WOMEN
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2009 (WITH COMPARATIVE TOTALS FOR 2008)

	<u>2009</u>	<u>2008</u>
OPERATING ACTIVITIES		
Change in net assets	\$ 62,897	\$ 102,013
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	10,078	6,755
Change in assets and liabilities		
Patient accounts receivable	52,484	7,779
Grants receivable	1,477	(39,319)
Inventory	11,065	(40,557)
Prepaid expenses	(9,628)	3,613
Accounts payable	(30,810)	65,329
Accrued expenses	(4,263)	(5,862)
NET CASH FROM OPERATING ACTIVITIES	<u>93,300</u>	<u>99,751</u>
INVESTING ACTIVITIES		
Purchase of temporary investments	(4,467)	(57,863)
Purchase of property and equipment	(37,379)	(3,006)
Issuance of notes receivable	-	(60,000)
Collection of notes receivable	12,778	8,403
NET CASH USED FOR INVESTING ACTIVITIES	<u>(29,068)</u>	<u>(112,466)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	64,232	(12,715)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>252,556</u>	<u>265,271</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 316,788</u>	<u>\$ 252,556</u>

MIDWEST HEALTH CENTER FOR WOMEN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Midwest Health Center for Women (the Organization) was incorporated on September 10, 1975, pursuant to the Minnesota Nonprofit Corporation Act. The Organization is dedicated to providing services and supporting persons who need birth control, family planning and abortion service. The Organization's program activities are:

- Providing education on family planning, birth control and abortion services to families and individuals;
- Providing support to persons needing birth control, family planning and abortion services and their families;
- Developing grassroots opportunities for persons who believe in birth control, family planning and abortion services to advocate for these services;
- Advocating on a system and on an individual level for persons needing birth control, family planning and abortion services; and
- Keeping abreast of ever-changing provision of health care services at the local, state and federal level including: keeping abreast of all federal and state initiatives and keeping pressure on health care reform at the state level to provide parity of care to persons needing birth control, family planning and abortion services. The Organization monitors managed care and maintains an ad hoc leadership role to monitor and to educate the public on managed care issues in birth control, family planning and abortion services.

Basis of Accounting

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

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. The Organization had no temporarily restricted or permanently restricted net assets at June 30, 2009.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all unrestricted cash and other highly liquid investments in debt securities purchased with an original maturity of three months or less to be cash equivalents. At times, bank deposits may be in excess of FDIC limits.

Accounts Receivable

Accounts receivable consists of patient and insurance payor receivables. The carrying amount of accounts receivable is reduced by a valuation allowance that reflects management's best estimate of amounts that will not be collected from patients and third party payors. Management reviews receivables by payor class and applies percentages to determine estimated amounts that will not be collected from third parties under agreements and amounts that will not be collected from patients due to bad debts. Management considers historical write-off and recovery information in determining the estimated bad debt provision. The allowance for doubtful accounts and discounts was \$132,399 for the year ending June 30, 2009.

NOTES TO FINANCIAL STATEMENTS

Temporary Investments

Temporary investments include investments with an original maturity date between three and twelve months.

Inventory

Inventory consists of various supplies and is stated at the lower of cost (first-in, first-out) or market.

Property and Equipment

Expenditures for the acquisition of property and equipment greater than \$1,000 are capitalized at cost, and donated property and equipment is capitalized at fair value. Depreciation is computed on the straight-line method over the following useful lives:

Medical equipment	5-10 years
Office equipment	3-7 years
Leasehold improvements	10 years

Compensated Absences

Under the Organization's policies and procedures, employees are granted vacation leave based on the number of years of experience they have at the Organization. Employees may accumulate a maximum of their annual vacation leave benefit. Unused accumulated vacation is paid to employees upon termination.

Support and Revenue Recognition

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Program service fees are recorded when earned. Program service fees consist of gross fees, net of adjustments and discounts.

The Organization uses the allowance method to determine uncollectible contributions and grants. The allowance is based on prior years' experience and management's analysis of the outstanding receivables.

Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

NOTES TO FINANCIAL STATEMENTS

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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Income Tax Status

The Organization is exempt from income taxes as a nonprofit corporation under Internal Revenue Service Code Section 501(c)(3) and is an organization that is not a private foundation under the Internal Revenue Code. Accordingly, the financial statements do not reflect a provision for income taxes.

In July 2006, Financial Interpretation No. 48, *Accounting for Uncertainty in Income Taxes*, (FIN No. 48) was issued. Subsequent to its original issuance, the effective date of its implementation for nonpublic enterprises has been deferred, and is currently deferred for nonpublic entities until years beginning after December 15, 2008. The Organization has elected to defer implementation of FIN No. 48, as allowable.

The Organization undergoes an annual analysis of its various tax positions, assessing the likelihood of those positions being upheld upon examination with relevant tax authorities, as defined by FIN No. 48.

Contributed Property and Services

In accordance with SFAS No. 116, *Accounting for Contributions Received and Contributions Made*, donated services are recognized as contributions if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills and would otherwise be purchased by the Organization. Property, services and other non-cash donations are recorded as in-kind contributions at their estimated market value at the date of donation.

In addition, many individuals volunteer their time and perform a variety of tasks that assist the Organization, but these services do not meet the criteria for recognition as contributed services.

Fair Value Measurements

The Organization has determined the fair value of certain assets and liabilities in accordance with the provisions of FASB Statement No. 157, *Fair Value Measurements*, which provides a framework for measuring fair value under generally accepted accounting principles.

Statement No. 157 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. SFAS 157 requires that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. SFAS 157 also establishes a fair value hierarchy, which prioritizes the valuation inputs into three broad levels.

NOTES TO FINANCIAL STATEMENTS

Level 1 inputs consist of quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the related asset or liability. Level 3 inputs are unobservable inputs related to the asset or liability.

The investment holdings as of June 30, 2009 consisted entirely of certificates of deposits and mutual funds. The value of these investments is based on Level 1, quoted prices in active markets.

Subsequent Events

The Company has evaluated subsequent events through October 13, 2009, the date which the financial statements were available to be issued.

NOTE 2 - CONTINGENCIES

The Organization is periodically involved in legal actions and claims that arise as a result of events that occur in the normal course of operations. The ultimate resolution of these actions is not expected to have a material adverse effect on the Organization's financial position.

Substantially all support and revenue is received from individuals, organizations and third party payors; therefore, the continuation of certain programs of the Organization is dependent upon future funding.

Grants require the fulfillment of certain conditions as set forth in the instrument of the grant. Failure to fulfill the conditions could result in the return of the funds to grantors. Although that is a possibility, the Board deems the contingency remote, since by accepting the grants and their terms; it has accommodated the objectives of the Organization to the provisions of the grant.

Financial assistance from federal, state and local governmental entities in the form of grants is subject to special audit. Such audits could result in claims against the Organization for disallowed costs or noncompliance with grantor restrictions. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined at this date.

NOTE 3 - INVESTMENTS AND INVESTMENT INCOME

Temporary Investments

Temporary investments are stated at fair value and include the following at June 30, 2009:

Certificates of deposit	<u>\$ 266,110</u>
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NOTES TO FINANCIAL STATEMENTS

Investment Income

Investment income and gains and losses on cash equivalents and temporary investments consist of the following for the year ended June 30, 2009:

Interest income	<u>\$ 8,403</u>
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NOTE 4 - NOTES RECEIVABLE

Notes receivable at June 30, 2009, consist of a note with the Women's Health Center of Duluth, PA. Principal and interest payments of \$1,132 are due monthly. Interest is charged at five percent per annum, pursuant to the terms and conditions of the note, to be adjusted up which may be determined to reflect the then existing rate on the Organization's certificates of deposit at 6-month intervals beginning six months from the date of the loan. The note matures May 2012.

Aggregate maturities under this note are as follows:

<u>Years Ending June 30,</u>	<u>Amount</u>
2010	\$ 13,584
2011	13,584
2012	<u>11,789</u>
	<u>\$ 38,957</u>

NOTE 5 - COMMITMENTS

The Organization leases office space and office equipment under noncancelable operating leases. In addition, the Organization has several month to month leases for office equipment.

Minimum future rental payments under the noncancelable leases for each year during the remaining lease terms are as follows:

<u>Years Ending June 30,</u>	<u>Amount</u>
2010	\$ 63,911
2011	19,427
2012	<u>742</u>
	<u>\$ 84,080</u>

Lease expense for 2009 was \$115,095.

NOTES TO FINANCIAL STATEMENTS

NOTE 6 - RETIREMENT PLAN

The Organization, as of January 1, 2006, has implemented a 401(k) plan. The Organization's contribution is a discretionary amount determined each year by the Organization. The contributions made by the Organization totaled \$9,546 for the year ended June 30, 2009.

NOTE 7 - CONCENTRATIONS OF CREDIT RISK

The Organization grants credit without collateral to its patients. The mix of receivables from patients and third-party payors at June 30, 2009 and 2008, was as follows:

	<u>2009</u>	<u>2008</u>
Patients	17%	14%
Medical Assistance	37%	52%
Other third-party payors	46%	34%
	<u>100%</u>	<u>100%</u>

NOTE 8 - MALPRACTICE INSURANCE

The Organization has malpractice insurance coverage to provide protection for professional liability losses on a claims-made basis subject to a limit of \$1 million per claim and an annual aggregate limit of \$3 million. Should the claims-made policy not be renewed or replaced with equivalent insurance, claims based on occurrences during the term, but reported subsequently, will be insured.