

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

**REPORT ON AUDIT OF
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2014
AND
FINANCIAL STATEMENTS
DECEMBER 31, 2013**

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, 2014, and the related consolidated statements of operations and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements. We have also audited the accompanying financial statements of Shalom Health Care Center, Inc., which comprise the balance sheet as of December 31, 2013, and the related statements of operations and changes in net assets, functional expenses, and cash flows for the year 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Center'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 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 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 Shalom Health Care Center, Inc. and Shalom, LLC as of December 31, 2014 and 2013, and the results of its operations, changes in 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**Supplemental Information**

Our audit was conducted for the purpose of forming an opinion on the 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 22, 2015 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 22, 2015

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

	Consolidated		2013			
	2014	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
ASSETS						
Current Assets:						
Cash and cash equivalents	\$ 122,690	\$ 7,782	\$ 130,472	\$ 236,182	\$ 7,782	\$ 243,964
Patient accounts receivable, net of allowance for doubtful accounts of \$40,000 in 2014 and \$46,556 in 2013	801,355	-	801,355	425,897	-	425,897
Grants receivable	187,432	-	187,432	70,868	-	70,868
Rent receivable	35,117	-	35,117	-	-	-
Other assets	9,353	-	9,353	387	-	387
Total Current Assets	1,155,947	7,782	1,163,729	733,334	7,782	741,116
Property and Equipment:						
Land	344,000	-	344,000	-	-	-
Building	1,395,303	-	1,395,303	-	-	-
Software and equipment	1,290,800	-	1,290,800	1,273,542	-	1,273,542
Less: accumulated depreciation	(794,351)	-	(794,351)	(646,396)	-	(646,396)
Property and equipment, net	2,235,752	-	2,235,752	627,146	-	627,146
Total Assets	3,391,699	7,782	3,399,481	1,360,480	7,782	1,368,262
LIABILITIES AND NET ASSETS						
Current Liabilities:						
Accounts payable	\$ 123,350	\$ -	\$ 123,350	\$ 24,291	\$ -	\$ 24,291
Accrued wages and related liabilities	189,795	-	189,795	118,341	-	118,341
Note payable current portion	73,193	-	73,193	-	-	-
Deferred revenue	112,959	-	112,959	113,750	-	113,750
Line of credit (Note 9)	200,000	-	200,000	-	-	-
Total Current Liabilities	699,297	-	699,297	256,382	-	256,382
Long Term Liabilities:						
Notes payable (Note 12)	1,554,883	-	1,554,883	-	-	-
Total Long Term Liabilities	1,554,883	-	1,554,883	-	-	-
Net Assets (Note 6)	1,137,519	7,782	1,145,301	1,104,098	7,782	1,111,880
Total Liabilities and Net Assets	3,391,699	7,782	3,399,481	1,360,480	7,782	1,368,262

The accompanying notes are an integral part of the financial statements.

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

	Consolidated			2013		
	2014					
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
REVENUE AND SUPPORT						
Patient service revenue (net of contractual allowances and discounts)	\$ 2,601,683	\$ -	\$ 2,601,683	\$ 2,007,852	\$ -	\$ 2,007,852
Provision for bad debts (Note 2)	50,863	-	50,863	48,173	-	48,173
Net patient service revenue less provision for bad debts	2,550,820	-	2,550,820	1,959,679	-	1,959,679
Contributions	3,885	-	3,885	4,160	-	4,160
Contributions in-kind (Note 4)	606,453	-	606,453	421,214	-	421,214
Grants	1,589,842	354,858	1,944,700	1,184,497	17,143	1,201,640
Rental income	35,117	-	35,117	-	-	-
Interest income	213	-	213	510	-	510
Loss on disposal	(3,025)	-	(3,025)	-	-	-
Other income	10,178	-	10,178	9,775	-	9,775
Revenue and Support	4,793,483	354,858	5,148,341	3,579,835	17,143	3,596,978
Net assets released from restriction	59,858	(354,858)	(295,000)	22,113	(22,113)	-
Total Revenue and Support	4,853,341	-	4,853,341	3,601,948	(4,970)	3,596,978
EXPENSES						
Primary care	2,567,064	-	2,567,064	1,888,557	-	1,888,557
Federally funded SBHC	515,181	-	515,181	376,338	-	376,338
Other SBHC	559,967	-	559,967	389,636	-	389,636
Administration	1,006,879	-	1,006,879	760,668	-	760,668
Fundraising	400	-	400	4,428	-	4,428
Total Expenses before depreciation	4,649,491	-	4,649,491	3,419,627	-	3,419,627
Increase (decrease) in net assets before depreciation	203,850	-	203,850	182,321	(4,970)	177,351
Depreciation expense	170,429	-	170,429	176,232	-	176,232
Total Increase (decrease) in net assets	33,421	-	33,421	6,089	(4,970)	1,119
Net assets - beginning of year	1,104,098	7,782	1,111,880	1,098,009	12,752	1,110,761
Net assets - end of year	\$ 1,137,519	\$ 7,782	\$ 1,145,301	\$ 1,104,098	\$ 7,782	\$ 1,111,880

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>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>
<u>EMPLOYEE COMPENSATION</u>							
Salaries and wages	\$ 1,229,059	\$ 413,515	\$ 483,229	\$ 2,125,803	\$ 344,165	\$ -	\$ 2,469,968
Fringe benefits	<u>328,007</u>	<u>42,600</u>	<u>56,932</u>	<u>427,539</u>	<u>170,209</u>	-	<u>597,748</u>
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>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	<u>38,968</u>	-	-	<u>38,968</u>	<u>31,538</u>	-	<u>70,506</u>
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
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2013

	Primary Care	In Scope SBHC	Other SBHC	Total Program	Administration	Fundraising	Total Expenses
<u>EMPLOYEE COMPENSATION</u>							
Salaries and wages	\$ 945,863	\$ 314,580	\$ 338,345	\$ 1,598,788	\$ 288,793	\$ -	\$ 1,887,581
Fringe benefits	222,863	30,123	38,746	291,732	125,019	-	416,751
Total Employee Compensation	<u>1,168,726</u>	<u>344,703</u>	<u>377,091</u>	<u>1,890,520</u>	<u>413,812</u>	<u>-</u>	<u>2,304,332</u>
<u>OTHER EXPENSES</u>							
Contracted services	58,887	-	3,944	62,831	32,873	-	95,704
Professional fees	15,991	-	-	15,991	32,322	-	48,313
Laboratory	147,655	-	-	147,655	-	-	147,655
Pharmacy	266,185	3,320	1,504	271,009	-	-	271,009
Supplies	39,667	4,851	2,733	47,251	12,970	-	60,221
Repairs and maintenance	6,540	-	-	6,540	5,415	-	11,955
Rent	129,676	19,000	-	148,676	44,379	-	193,055
Insurance	-	-	3,459	3,459	21,890	-	25,349
Telephone	1,372	-	-	1,372	5,433	-	6,805
Postage	2,060	797	76	2,933	1,234	-	4,167
Personnel recruitment	4,499	460	829	5,788	11,508	-	17,296
Licenses, dues, and subscriptions	5,874	185	-	6,059	18,466	-	24,525
Printing	6,869	-	-	6,869	2,655	-	9,524
Travel	11,806	469	-	12,275	28,698	-	40,973
Professional development	5,936	2,553	-	8,489	16,713	-	25,202
Information technology	2,273	-	-	2,273	61,592	-	63,865
Advertising	-	-	-	-	14,581	-	14,581
Education and Community Relations	2,017	-	-	2,017	15,474	-	17,491
Fundraising	-	-	-	-	-	4,428	4,428
Miscellaneous	12,524	-	-	12,524	20,653	-	33,177
Total Expenses	<u>\$ 1,888,557</u>	<u>\$ 376,338</u>	<u>\$ 389,636</u>	<u>\$ 2,654,531</u>	<u>\$ 760,668</u>	<u>\$ 4,428</u>	<u>\$ 3,419,627</u>

The accompanying notes are an integral part of the financial statements.

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

	Consolidated 2014	2013
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Change in net assets	\$ 33,421	\$ 1,119
Adjustments to reconcile net assets to net cash provided by (used in) operations:		
Depreciation	170,429	176,232
Loss on disposal of fixed asset	3,025	-
Provision for bad debts	50,863	48,173
Decrease (increase) in operating assets:		
Patient accounts receivable	(426,321)	(286,948)
Grants receivable	(116,564)	68,053
Rent receivable	(35,117)	-
Other assets	(8,966)	77
Increase (decrease) in operating liabilities:		
Accounts payable	99,059	(22,143)
Accrued wages and related liabilities	71,454	37,553
Deferred revenue	(791)	-
Net Cash Provided by (Used in) Operating Activities	(159,508)	22,116
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Disposal of equipment	(25,499)	-
Purchases of property and equipment	(1,756,561)	(91,603)
	(1,782,060)	(91,603)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Proceeds from notes payable	1,628,076	-
Proceeds from line of credit	200,000	-
Net Cash Provided by (Used in) Financing Activities	1,828,076	-
Net increase (decrease) in cash	(113,492)	(69,487)
Cash - beginning of year	243,964	313,451
Cash - end of year	\$ 130,472	\$ 243,964
Interest paid	\$ 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, 2014 AND 2013

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., 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 2014 or 2013.

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>Third-Party Payors</u>	<u>Insurance</u>	<u>Private Pay</u>	<u>Total All Payors</u>
<u>2014</u>				
Patient service revenue (net of contractual allowances and discounts)	<u>\$ 1,461,937</u>	<u>\$ 197,991</u>	<u>\$ 941,755</u>	<u>\$ 2,601,683</u>
<u>2013</u>				
Patient service revenue (net of contractual allowances and discounts)	<u>\$ 1,601,612</u>	<u>\$ 65,479</u>	<u>\$ 340,761</u>	<u>\$ 2,007,852</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. 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 2011.

3. FINANCIAL INSTRUMENTS

The Center maintains its cash in bank accounts, the balances of which may exceed federally insured limits at times. As of December 31, 2014, there was no such excess. As of December 31, 2013, such excess consisted of approximately \$46,900. 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>2014</u>	<u>2013</u>
Pharmacy services	\$ 488,953	\$ 258,214
Laboratory services	78,000	144,000
Operating space	<u>39,500</u>	<u>19,000</u>
Total	<u>\$ 606,453</u>	<u>\$ 421,214</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, 2014 and 2013, the Center contributed \$15,856 and \$21,420 to this plan, respectively.

6. TEMPORARILY RESTRICTED NET ASSETS AS RESTATED

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

	<u>2014</u>	<u>2013</u>
eClinicalWorks SU	<u>\$ 7,782</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 80% of total net patient service revenue in 2014 and 2013, 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. During 2014 and 2013, the Center made lease payments totaling \$175,936 and \$174,055, respectively.

9. LINE OF CREDIT

The Center has a \$200,000 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 \$200,000 as of December 31, 2014, and no amount outstanding as of December 31, 2013.

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>2014</u>	<u>2013</u>
Medicaid	87%	79%
Medicare	2%	1%
Private pay	6%	18%
Private insurance	3%	2%
Other	2%	0%
Total	<u>100%</u>	<u>100%</u>

11. FAIR VALUE MEASUREMENTS

In accordance with the Accounting Standards Codification (ASC) 820, the Center measures its recurring assets and liabilities at fair value using a three-level hierarchy that prioritizes the inputs used to measure fair value. This hierarchy requires that entities maximize the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value.

The three levels of inputs used are as follows:

- Level 1 – Quoted prices in active markets for identical assets or liabilities
- Level 2 – Quoted prices for similar assets or liabilities in active markets
- Level 3 – Unobservable inputs for the asset or liability based on the best available information

As of December 31, 2014 and 2013, there were no assets or liabilities valued on a recurring basis.

The fair value of short-term financial instruments, including cash and cash equivalents, accounts receivable, accounts payable and other accrued liabilities approximate the carrying value in the accompanying financial statements due to the short maturity of such instruments.

All methods of assessing fair value result in a general approximation of value and such value may never be realized.

12. NOTE PAYABLE

During 2014, the Shalom, LLC obtained a mortgage from International Flavors & Fragrances 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 come into effect on November 1, 2019.

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

2015	\$	73,193
2016		77,225
2017		81,480
2018		85,969
2019		96,237
Thereafter		<u>1,213,972</u>
Total	\$	<u>1,628,076</u>

13. SUBSEQUENT EVENTS

Subsequent events have been evaluated through the report date, 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
Balance Sheet
All Funds
Dec 2014

Assets

Current Assets

Cash on hand	130,472
CD's	-
Accounts Receivable	
Medicaid	695,493
Medicare	13,723
Self Pay	28,272
Private Insurance	47,068
Other	16,799
Subtotal - Patient A/R - Net	<u>801,355</u>
Other Receivables	
Rent Income	35,117
ISDH - CHC Grant	62,698
Learning Well	10,404
Advantage	12,740
Other Receivables	101,590
Subtotal - Other A/R	<u>222,549</u>
Prepaid Expenses	4,698
Total Current Assets	<u>1,159,074</u>

Fixed Assets

Prop., Plant and Equip. - Net	<u>2,235,752</u>
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Total Fixed Assets	<u>2,235,752</u>
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Other Assets

Security Deposits	4,655
	<u>4,655</u>

Total Assets	<u>3,399,481</u>
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Liabilities & Fund Balance

Current Liabilities

Accounts Payable	123,350
Accrued Expenses	189,795
Loan Short Term	200,000
Deferred Revenues	112,959
Total Current Liabilities	<u>626,104</u>

Long Term Liabilities

Accounts Payable - IFF	1,628,076
Total Long Term Liabilities	<u>1,628,076</u>

Fund Balance

Unrestricted Balance	1,137,519
Temporarily Restricted	7,782
Total Fund Balance	<u>1,145,301</u>

Total Liabilities & Fund Balance	<u>3,399,481</u>
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Shalom Health Care Center, Inc. and Shalom, LLC
Statement of Revenue and Expenditures
All Funds - Consolidated
Jan 2014 - Dec 2014

Revenue

Federal and State Grant Revenues	\$ 933,069
Other Grant Revenues	716,631
Fundraising/Development Revenues	3,885
Third Party Revenues - Net	
Medicaid	1,444,179
Medicare	17,758
Private Insurance	197,991
Self Pay	941,755
Subtotal - Third Party Revenues - Net	2,601,683
Rent Income	35,117
Other	10,391
Total Revenue b/In-Kind	4,300,776
In-Kind Revenues	606,453
Total Revenue	\$ 4,907,229

Expenses

Salaries and Wages	2,469,968
Fringe Benefits	601,016
Total Salaries & Wages include. Benef.	3,070,984
Contracted services	128,066
Professional fees	112,602
Laboratory	2,712
Pharmacy	5,387
Supplies	118,203
Repairs and maintenance	15,407
Rent	132,736
Insurance	24,724
Telephone	20,330
Postage and Printing	20,117
Personnel recruitment	26,914
Licenses, dues, and subscriptions	33,998
Travel	56,360
Professional development	43,318
Information technology	95,611
Advertising	52,506
Education and Community Relations	12,156
Fundraising	400
Miscellaneous	70,507
Loss on Disposal	3,025
Bad debt	50,863
In-kind Expenses	606,453
Total Expenses before Depreciation	4,703,379
Excess (Deficiency) Revenue Over Expenses before Depreciation	203,850
Depreciation	170,429
Excess (Deficiency) Revenue Over Expenses	\$ 33,421

See Auditors' Report.

Shalom Health Care Center, Inc. and Shalom, LLC
Statement of Functional Expenditures
Jan 2014 - Dec 2014

Account	Description	001 Speedway Schools	002 SBHCs - Year 2 Accounting	003 Primary Care Clinic 3	004 Shared Cost	005 SBHC-Charter	Total
5010	Physicians	45,945.00	45,945.00	91,890.00	0.00	45,945.00	229,725.00
5015	Mid-level practitioners	2,862.95	236,914.06	364,887.23	0.00	71,847.76	676,512.00
5020	Nurses: RN & LPN	174,822.32	0.00	5,275.10	0.00	21,203.58	201,301.00
5025	Technicians: MA	617.14	66,814.13	93,666.73	0.00	0.00	161,098.00
5030	Interpreters	0.00	0.00	79,483.00	0.00	0.00	79,483.00
5035	Patient Service Reps	708.14	0.00	224,914.86	0.00	0.00	225,623.00
5037	Case Managers: RN	0.00	0.00	54,019.00	0.00	0.00	54,019.00
5039	Other medical supports	0.00	0.00	156,691.00	0.00	0.00	156,691.00
5055	Social Service Professionals	0.00	0.00	8,684.00	0.00	0.00	8,684.00
5060	Fiscal	11,485.53	11,485.50	11,485.53	27,767.94	11,485.50	73,710.00
5065	Administrative, clerical, other	43,949.63	52,355.69	115,245.21	316,396.78	52,355.69	580,303.00
5077	Security	0.00	0.00	22,817.00	0.00	0.00	22,817.00
5090	Vacation/PTO Accrual	0.00	0.00	0.00	24,599.00	0.00	24,599.00
5110	FICA	10,912.12	22,534.38	87,185.05	51,725.17	5,919.28	178,276.00
5115	State unemployment insurance	2,923.20	4,071.47	21,710.48	8,088.41	1,998.43	38,792.00
5119	Property Insurance	0.00	0.00	3,269.00	0.00	0.00	3,269.00
5120	Workers Compensation	424.33	591.01	3,151.47	1,174.10	290.09	5,631.00
5125	ST Disability insurance	998.31	2,271.27	6,284.15	4,264.65	308.62	14,127.00
5126	LT Disability insurance	329.90	750.98	2,867.53	1,854.81	407.78	6,211.00
5130	Health insurance	14,308.42	9,477.50	185,564.43	50,725.95	14,387.70	274,464.00
5135	Dental insurance	906.89	917.93	12,874.56	4,790.25	937.38	20,427.00
5140	Life insurance	1,152.16	1,573.66	6,552.65	2,734.87	459.66	12,473.00
5145	Vision Insurance	161.58	411.98	1,785.62	493.39	106.43	2,959.00
5150	Pension Plan	0.00	0.00	0.00	15,856.00	0.00	15,856.00
5155	COBRA Administration	0.00	0.00	0.00	610.00	0.00	610.00
5190	Other	0.00	0.00	30.61	3,292.39	0.00	3,323.00
5210	Consultant fees - health care	0.00	0.00	0.00	16,600.00	0.00	16,600.00
5220	Contract Svce - maintenance	0.00	0.00	28,082.96	6,975.04	0.00	35,058.00
5230	Contractual Service - other	0.00	0.00	4,047.25	9,166.75	0.00	13,214.00
5235	Contract Svce - Health Care	6,154.93	0.00	50,952.03	6,087.04	0.00	63,194.00
5240	Professional fees - legal	0.00	0.00	0.00	14,318.00	0.00	14,318.00
5245	Professional fees - medical	0.00	0.00	27,692.31	9,307.69	0.00	37,000.00
5250	Professional fees - accounting	0.00	0.00	0.00	15,978.00	0.00	15,978.00
5254	Professional Fees: Engery Mgmt	0.00	0.00	0.00	208.00	0.00	208.00
5255	Professional fees - technology	0.00	0.00	47.96	3,215.04	0.00	3,263.00
5256	Professional fees - Lang Serv	0.00	0.00	28,871.00	0.00	0.00	28,871.00
5270	Payroll Fees	0.00	0.00	0.00	9,664.00	0.00	9,664.00
5310	Laboratory	0.00	0.00	2,712.00	0.00	0.00	2,712.00
5311	Laboratory - In Kind	0.00	0.00	78,000.00	0.00	0.00	78,000.00
5320	Pharmacy	0.00	1,883.81	2,649.80	0.00	853.38	5,387.00

See Auditors' Report.

Account	Description	001 Speedway Schools	002.SBHCs - Year 2 Accounting	003 Primary Care Clinic 3	004 Shared Cost	005 SBHC- Charter	Total
5321	Pharmacy - In Kind	0.00	0.00	488,953.00	0.00	0.00	488,953.00
5322	PAP License Fees	0.00	0.00	2,469.85	830.15	0.00	3,300.00
5330	Radiology	0.00	0.00	7,808.00	0.00	0.00	7,808.00
5410	Medical Supplies	0.00	8,457.14	63,729.87	0.00	4,064.99	76,252.00
5420	Pharmacy Supplies	0.00	0.00	0.00	0.00	0.00	0.00
5460	Admin. Office & other supplies	568.59	2,312.25	10,767.49	16,884.77	1,066.89	31,600.00
5470	Housekeeping supplies	0.00	0.00	2,419.07	40.93	0.00	2,460.00
5475	Supplies: Maintenance	0.00	0.00	81.62	1.38	0.00	83.00
5490	Miscellaneous Supplies	0.00	0.00	135.75	45.25	0.00	181.00
5510	Repairs and maintenance	0.00	0.00	0.00	766.00	0.00	766.00
5520	Equipment Rental	0.00	0.00	10,015.95	3,201.05	0.00	13,217.00
5530	Minor equipment purchases	0.00	0.00	352.93	770.07	0.00	1,123.00
5550	Telephone Equipment Expense	0.00	0.00	244.94	970.06	0.00	1,215.00
540	Vehicles - rental	0.00	0.00	0.00	0.00	0.00	0.00
5610	Malpractice	1,693.88	0.00	0.00	0.00	4,039.12	5,733.00
5611	D&O	0.00	0.00	0.00	3,721.00	0.00	3,721.00
5612	Employment Practices Liability	0.00	0.00	0.00	3,479.00	0.00	3,479.00
5613	Fiduciary Liability	0.00	0.00	0.00	2,111.00	0.00	2,111.00
5620	Other insurance	0.00	0.00	0.00	9,680.00	0.00	9,680.00
5710	Rent	0.00	0.00	131,077.49	44,858.51	0.00	175,936.00
5711	Rent - In Kind	0.00	39,500.00	0.00	0.00	0.00	39,500.00
5720	Utilities: Electric	0.00	0.00	1,389.23	5,501.77	0.00	6,891.00
5721	Utilities: Gas	0.00	0.00	47.58	188.42	0.00	236.00
5722	Utilities: Water/Treatment	0.00	0.00	130.23	515.77	0.00	646.00
5723	Utilities: Trash Removal	0.00	0.00	70.36	278.64	0.00	349.00
5724	Utilities: Sewer	0.00	0.00	34.07	134.93	0.00	169.00
5730	Repairs and maintenance	0.00	0.00	0.00	539.00	0.00	539.00
5740	Moving Expense	0.00	0.00	3,129.00	0.00	0.00	3,129.00
5810	Telephone	0.00	0.00	2,182.12	8,641.88	0.00	10,824.00
5910	Postage	0.00	782.10	2,022.00	1,211.08	74.81	4,090.00
6010	Personnel recruitment	0.00	715.78	7,000.75	17,907.50	1,289.97	26,914.00
6021	Advertising	0.00	0.00	0.00	52,506.00	0.00	52,506.00
6110	Books and subscriptions	0.00	0.00	260.06	2,614.94	0.00	2,875.00
6120	License and fees	0.00	0.00	5,750.94	553.06	0.00	6,304.00
6130	Organization dues	0.00	267.87	0.00	24,551.13	0.00	24,819.00
6210	Printing and publications	0.00	0.00	11,559.49	4,467.51	0.00	16,027.00
6310	Interest	0.00	0.00	8,488.44	120.56	0.00	8,609.00
6410	Travel - out of town	0.00	689.55	13,026.96	38,356.49	0.00	52,073.00
6420	Travel - local	0.00	0.00	1,976.69	2,310.31	0.00	4,287.00
6430	Travel - meeting & conf fees	0.00	0.00	0.00	0.00	0.00	0.00
6510	Staff training	0.00	4,458.08	10,365.55	28,424.38	0.00	43,248.00
6610	Uniform service	0.00	0.00	3,797.07	2,164.93	0.00	5,962.00
6710	Software Support fees	0.00	0.00	0.00	40,980.00	0.00	40,980.00
6720	Network fees: Cable/ISDN/DSL/I	0.00	0.00	0.00	7,945.00	0.00	7,945.00

See Auditors' Report.

Account	Description	001 Speedway Schools	002 SBHCs - Year 2 Accounting	003 Primary Care Clinic 3	004 Shared Cost	005 SBHC- Charter	Total
6730	Software Licenses	0.00	0.00	0.00	4,741.00	0.00	4,741.00
6740	Hardware Fees/Maintenance	0.00	0.00	2,795.56	39,134.44	0.00	41,930.00
6750	Network supplies:Tape back	0.00	0.00	0.00	1,948.00	0.00	1,948.00
6810	Community Education Hand	0.00	0.00	0.00	0.00	0.00	0.00
6820	Outreach Services	0.00	0.00	0.00	70.00	0.00	70.00
6830	Fundraising Expenses	0.00	0.00	0.00	400.00	0.00	400.00
6840	Community Relations	0.00	0.00	536.16	11,619.84	0.00	12,156.00
9730	Bad debt expense - self pay	0.00	0.00	50,863.00	0.00	0.00	50,863.00
9806	Loss on Disposal of Equip/As	0.00	0.00	3,025.00	0.00	0.00	3,025.00
9810	Bank charges	0.00	0.00	1,895.08	26.92	0.00	1,922.00
9815	Catering/Food	0.00	0.00	992.84	23,492.16	0.00	24,485.00
9820	Inspection fees	0.00	0.00	5,900.00	0.00	0.00	5,900.00
9825	Title & Recording	0.00	0.00	3,365.00	0.00	0.00	3,365.00
9890	Miscellaneous expenses	0.00	0.00	11,088.00	3,696.00	0.00	14,784.00
9920	Depr Exp - Building	0.00	0.00	48.38	12,460.62	0.00	12,509.00
9940	Depr exp-leasehold improv	0.00	0.00	238.69	61,476.31	0.00	61,715.00
9950	Depr exp-furn & fix	0.00	1,290.62	7,069.18	45,879.55	89.64	54,329.00
9960	Depr exp-moveable equip	0.00	65.69	19,780.66	0.00	92.65	19,939.00
9975	Depreciation-software	556.92	1,479.80	7,390.86	12,390.07	119.34	21,937.00
		\$ 321,481.94	\$ 518,017.26	\$ 2,687,664.44	\$ 1,150,500.66	\$ 239,343.70	\$ 4,917,008.00

See Auditors' Report.

**SHALOM HEALTH CARE CENTER, INC AND SHALOM, LLC
BALANCE SHEET RECONCILIATION
DECEMBER 31, 2014**

ASSETS

Total assets per audited financial statements	<u>\$ 3,399,481</u>
Total assets, per internal financial statements	<u>\$ 3,399,481</u>

LIABILITIES

Total liabilities, per audited financial statements	<u>\$ 2,254,180</u>
Total liabilities, per internal financial statements	<u>\$ 2,254,180</u>

NET ASSETS

Total net assets, per audited financial statements	<u>\$ 1,145,301</u>
Total fund balance, per internal financial statements	<u>\$ 1,145,301</u>

LIABILITIES AND NET ASSETS

Total liabilities and net assets per, audited financial statements	<u>\$ 3,399,481</u>
Total current liabilities and fund balance, per internal financial statements	<u>\$ 3,399,481</u>

SHALOM HEALTH CARE CENTER, INC AND SHALOM, LLC
STATEMENTS OF OPERATIONS AND CHANGES
IN NET ASSETS RECONCILIATION
FOR THE YEAR ENDED DECEMBER 31, 2014

REVENUE AND SUPPORT

Total revenue per audited financial statements	\$ 4,853,341
Less temporarily restricted revenue and support	-
	<u>\$ 4,853,341</u>

Total revenue, per internal financial statements	\$ 4,907,229
Temporarily restricted revenue and support	-
Bad Debt	(50,863)
Loss on disposal	(3,025)
Difference due to rounding	-
	<u>\$ 4,853,341</u>

EXPENSES

Total expenses before depreciation, per audited financial statements	\$ 4,649,491
Bad debt, per internal financial statements	50,863
Depreciation expense, per audited financial statements	170,429
	<u>\$ 4,870,783</u>

Total expenses before depreciation, per internal financial statements	\$ 4,703,379
Depreciation expense, per internal financial statements	170,429
Loss on disposal	(3,025)
Difference due to rounding	-
	<u>\$ 4,870,783</u>

INCREASE IN NET ASSETS

Increase in net assets, per audited financial statements	<u>\$ 33,421</u>
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Excess of revenues over expenses, per supplemental information	\$ 33,421
Change in temporarily restricted net assets	-
Difference due to rounding	-
	<u>\$ 33,421</u>

SHALOM HEALTH CARE CENTER, INC AND SHALOM, LLC
RECONCILIATION OF AUDITED STATEMENTS OF FUNCTIONAL EXPENSES
TO SUPPLEMENTAL INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2014

PRIMARY CARE

Total, per audited financial statements	<u>\$ 2,567,064</u>
Total, per supplemental information	\$ 2,687,664
Depreciation expense per, supplemental information	(34,528)
Loss on disposal of equipment	(3,025)
Bad debt, per supplemental information	(50,863)
Intercompany rent	(32,185)
Difference due to rounding	1
	<u>\$ 2,567,064</u>

IN SCOPE SBHC

Total, per audited financial statements	<u>\$ 515,181</u>
Total, per supplemental information	\$ 518,017
SBHC depreciation expense, per supplemental information	(2,836)
	<u>\$ 515,181</u>

OTHER SBHC

Total, per audited financial statements	<u>\$ 559,967</u>
Speedway Schools, per supplemental information	\$ 321,482
SBHC - Charter, per supplemental information	239,344
Speedway Schools depreciation, per supplemental information	(557)
SBHC - Charter depreciation, per supplemental information	(302)
	<u>\$ 559,967</u>

ADMINISTRATION

Total, per audited financial statements	<u>\$ 1,006,879</u>
Total, Shared Costs, per supplemental information	\$ 1,150,501
Shared costs depreciation, per supplemental information	(132,207)
Intercompany rent	(11,015)
Fundraising expenses, per supplemental information	(400)
	<u>\$ 1,006,879</u>

FUNDRAISING

Total, per audited financial statements	<u>\$ 400</u>
Total per supplemental information	<u>\$ 400</u>

See Auditors' Report.