

# **Shingletown Medical Center**

Shingletown, California

## **Financial Statements and Independent Auditors' Report**

*For the Years Ended June 30, 2016 and 2015*





# Shingletown Medical Center

## Table of Contents

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	<u>Page</u>
<b>Independent Auditors' Report</b> .....	1
<b>Financial Statements:</b>	
Statements of Financial Position.....	5
Statements of Activities .....	6
Statements of Functional Expenses .....	7
Statements of Cash Flows.....	8
Notes to the Financial Statements .....	9

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
of Shingletown Medical Center  
Shingletown, California

### **Report on Financial Statements**

We have audited the accompanying financial statements of Shingletown Medical Center (“SMC”), a California not-for-profit organization, which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### ***Management’s Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor’s Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the 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 entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the statements of financial position of SMC as of June 30, 2016 and 2015, and the changes in its net assets, its functional expenses, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

To the Board of Directors  
of Shingletown Medical Center  
Shingletown, California  
Page Two

***Other Matters***

*Other Information – Schedule of Expenditures of Federal Awards*

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards, as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the 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 December 9, 2016, on our consideration of the SMC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering SMC's internal control over financial reporting and compliance.

*The PwC Group, LLP*

Santa Ana, California  
December 9, 2016

## **FINANCIAL STATEMENTS**

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**Shingletown Medical Center**  
**Statements of Financial Position**  
**For the Years Ended June 30, 2016 and 2015**

	2016	2015
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 1,190,424	\$ 702,656
Patient accounts receivable, net of contractual allowance of \$115,308 and \$133,289 in 2016 and 2015, respectively	254,738	192,017
Grants and other receivables	274,517	121,039
Prepaid items and inventories	22,942	34,303
Other assets	500	640
<b>Total current assets</b>	<b>1,743,121</b>	<b>1,050,655</b>
<b>Noncurrent assets:</b>		
Loan origination costs	4,078	4,412
Property and equipment, net	1,163,594	1,203,834
<b>Total noncurrent assets</b>	<b>1,167,672</b>	<b>1,208,246</b>
<b>Total assets</b>	<b>\$ 2,910,793</b>	<b>\$ 2,258,901</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 114,738	\$ 27,967
Accrued payroll and other expenses	85,408	111,059
Estimated amount due to third-party payors	380,000	62,642
Deferred revenue	5,000	-
Long-term debt, current portion	25,997	25,332
<b>Total current liabilities</b>	<b>611,143</b>	<b>227,000</b>
<b>Noncurrent liabilities:</b>		
Long-term debt, net of current portion	208,555	234,552
<b>Total noncurrent liabilities</b>	<b>208,555</b>	<b>234,552</b>
<b>Total liabilities</b>	<b>819,698</b>	<b>461,552</b>
<b>Net Assets:</b>		
Unrestricted	2,083,046	1,783,253
Temporarily restricted	8,049	14,096
<b>Total net assets</b>	<b>2,091,095</b>	<b>1,797,349</b>
<b>Total liabilities and net assets</b>	<b>\$ 2,910,793</b>	<b>\$ 2,258,901</b>

**Shingletown Medical Center**  
**Statements of Activities**  
**For the Years Ended June 30, 2016 and 2015**

	2016	2015
<b>CHANGE IN UNRESTRICTED NET ASSETS:</b>		
<b>Revenue and other support:</b>		
Net patient services revenue	\$ 1,429,535	\$ 1,254,934
Grant revenue	1,337,624	815,221
Net assets released from restrictions - programs	6,047	30,737
Other	47,532	36,838
<b>Total unrestricted revenue and other support</b>	<b>2,820,738</b>	<b>2,137,730</b>
<b>Expenses:</b>		
Program services	1,611,467	1,286,384
General and administrative	908,027	687,327
Fundraising	1,451	11,489
<b>Total expenses</b>	<b>2,520,945</b>	<b>1,985,200</b>
<b>Change in unrestricted net assets</b>	299,793	152,530
<b>CHANGES IN TEMPORARILY RESTRICTED NET ASSETS:</b>		
Contributions	-	41,500
Net assets released from restrictions - programs	(6,047)	(30,737)
<b>Changes in temporarily restricted net assets</b>	<b>(6,047)</b>	<b>10,763</b>
<b>Changes in net assets</b>	293,746	163,293
<b>NET ASSETS:</b>		
Beginning of year	1,797,349	1,634,056
End of year	<b>\$ 2,091,095</b>	<b>\$ 1,797,349</b>

**Shingletown Medical Center**  
**Statements of Functional Expenses**  
**For the Years Ended June 30, 2016 and 2015**

2016

	Program Services	General & Administrative	Fundraising	Total
Salaries	\$ 956,985	\$ 308,589	\$ -	\$ 1,265,574
Employee benefits	207,254	79,644	-	286,898
Professional fees	13,414	171,147	-	184,561
Contractual services	186,354	13,464	-	199,818
Supplies	66,748	12,363	-	79,111
Maintenance & repairs	10,951	27,099	-	38,050
Facility expenses	40,059	11,840	-	51,899
Telephone & communications	6,433	78,053	-	84,486
Insurance	5,003	7,630	-	12,633
Interest	5,271	2,059	-	7,330
Depreciation	49,334	21,723	-	71,057
Other operating expenses	63,661	174,416	1,451	239,528
<b>Total</b>	<b>\$ 1,611,467</b>	<b>\$ 908,027</b>	<b>\$ 1,451</b>	<b>\$ 2,520,945</b>

2015

	Program Services	General & Administrative	Fundraising	Total
Salaries	\$ 851,271	\$ 235,056	\$ -	\$ 1,086,327
Employee benefits	177,585	58,388	-	235,973
Professional fees	29,679	113,983	-	143,662
Contractual services	35,325	19,707	-	55,032
Supplies	56,972	13,417	-	70,389
Maintenance & repairs	5,338	1,611	-	6,949
Facility expenses	37,093	12,760	-	49,853
Telephone & communications	2,592	54,160	-	56,752
Insurance	5,005	7,107	-	12,112
Interest	6,023	1,657	-	7,680
Depreciation	49,126	25,012	-	74,138
Other operating expenses	30,375	144,469	11,489	186,333
<b>Total</b>	<b>\$ 1,286,384</b>	<b>\$ 687,327</b>	<b>\$ 11,489</b>	<b>\$ 1,985,200</b>

**Shingletown Medical Center**  
**Statements of Cash Flows**  
**For the Years Ended June 30, 2016 and 2015**

	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 293,746	\$ 163,293
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:		
Depreciation	71,057	74,138
Changes in current assets and current liabilities:		
Patient accounts receivable, net	(62,721)	18,356
Grants and other receivables	(153,478)	(13,470)
Prepaid items and inventories	11,361	(4,103)
Loan origination cost	334	334
Other assets	140	10
Accounts payable	86,771	(27,354)
Accrued payroll and other expenses	(25,651)	27,959
Estimated amount due to third-party payors	317,358	62,642
Deferred revenue	5,000	-
<b>Net cash provided by operating activities</b>	<b>543,917</b>	<b>301,805</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of property and equipment	(30,817)	-
<b>Net cash (used in) investing activities</b>	<b>(30,817)</b>	<b>-</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Repayment of debt	(25,332)	(24,685)
<b>Net cash (used in) financing activities</b>	<b>(25,332)</b>	<b>(24,685)</b>
<b>Net increase in cash and cash equivalents</b>	487,768	277,120
<b>CASH AND CASH EQUIVALENTS:</b>		
Beginning of year	702,656	425,536
End of year	<b>\$ 1,190,424</b>	<b>\$ 702,656</b>
<b>SUPPLEMENTAL DISCLOSURES:</b>		
Interest paid	<b>\$ 7,330</b>	<b>\$ 7,680</b>

**Shingletown Medical Center**  
**Notes to the Financial Statements**  
**For the Years Ended June 30, 2016 and 2015**

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**Note 1 – Organization**

Shingletown Medical Center (the “Center”), with its corporate offices located in Shingletown, California, is a not-for-profit organization, incorporated on May 24, 1985. The Center is licensed as a Federally Qualified Health Center (“FQHC”) that works to improve, promote and maintain the physical and emotional health of residents in the communities it serves. The Center primarily earns revenues by providing physician and related health care services through a clinic located in Shingletown, California.

The Center derives support from patient fees and third-party charges. Additionally, revenues are derived through grants and contracts with the U.S. Department of Health and Human Services and the State of California Department of Health Services, and other grantors and donors. For 31 years, the Center has worked diligently to provide medical services to Shasta County’s eastern mountain community.

**Note 2 – Summary of Significant Accounting Policies**

**Basis of Presentation**

Financial statement presentation follows the recommendations promulgated by the Financial Accounting Standards Board (“FASB”), commonly referred to as accounting principles generally accepted in the United States of America (“U.S. GAAP”)

**Basis of Accounting**

The Center prepares its financial statements in accordance with U.S. GAAP, which are presented on the accrual basis of accounting. Under the accrual basis of accounting, The Center recognizes contributions as revenue in the period received and expenses or losses are recognized in the period the liability is incurred. Contributions, net assets, and changes therein are classified and reported based on the existence or absence of donor-imposed restrictions.

**Cash and Cash Equivalents**

Cash and cash equivalents include all highly liquid investments with original maturities of 90 days or less and are carried at cost, which approximates fair value.

**Concentration of Credit Risk**

Financial instruments potentially subjecting the Center to concentration of credit risk consist primarily of bank demand deposits in excess of Federal Deposit Insurance Corporation (“FDIC”) insurance threshold. Demand deposits are placed with local financial institutes, and management has not experienced any loss related to these demand deposits in the past.

**Receivables, Contractual Allowances and Uncollectible Accounts**

Accounts receivable are recorded on the accrual basis at full billing rates for all classes of patients. Contractual allowances adjust receivables and revenues to net realizable amounts based on Medicare and Medi-Cal regulations, and based on the management’s valuation of the private accounts. The Center also estimates an allowance for doubtful accounts related to patients that do not have the ability to pay.

**Shingletown Medical Center**  
**Notes to the Financial Statements (Continued)**  
**For the Years Ended June 30, 2016 and 2015**

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**Note 2 – Summary of Significant Accounting Policies (Continued)**

**Prepaid Items**

Prepaid items are payments made to vendors for services that will benefit periods beyond the fiscal year ended.

**Inventories**

Inventories are stated at cost, determined using the first-in, first out basis.

**Property, Plant and Equipment**

The Center capitalizes property and equipment over \$5,000. Lesser amounts are expensed. Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Center reports expirations of donor restrictions when the donated or acquired assets are placed in service. The Center reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment are depreciated using the straight-line method over estimated useful lives ranging from 3 to 40 years.

**Net Assets**

Net assets are classified as unrestricted, temporarily restricted, and permanently restricted based upon the following criteria:

- Unrestricted net assets represent expendable funds available for operations, which are not otherwise limited by donor restrictions.
- Temporarily restricted net assets consist of contributed funds, subject to specific donor-imposed restrictions, contingent upon specific performance of a future event or a specific passage of time before the Center may spend the funds. Temporarily restricted donations for fixed assets are released when the assets are placed into service.
- Permanently restricted net assets are subject to irrevocable donor restrictions, requiring that the assets be maintained in perpetuity.

**Contributions**

Contributions are recognized when the donor makes a promise to give to the Center 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.

**Shingletown Medical Center**  
**Notes to the Financial Statements (Continued)**  
**For the Years Ended June 30, 2016 and 2015**

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**Note 2 – Summary of Significant Accounting Policies (Continued)**

**Contributed Services**

No amounts have been reflected in the financial statements for donated services. The Center generally pays for services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Center at the residents' facilities, but these services do not meet the criteria for recognition as contributed services. The Center receives approximately 600 volunteer hours per year.

**Net Patient Services Revenue**

The Center has agreements with third-party payors that provide for payments to the Center at amounts different from established rates. A summary of the historical and current payment arrangements with major third-party payors is as follows:

*Medicare* – Medicare services rendered to Medicare program beneficiaries are paid under a cost-based reimbursement system. The Center is reimbursed at a tentative (“interim”) rate, with final settlement determined after submission of annual cost reports by the Center and audits thereof by the fiscal intermediary.

*Medi-Cal* – Medical services rendered to Medi-Cal beneficiaries are paid under a “prospective payment system” (“PPS”), using rates established by the Center’s “base year – fiscal year ended June 30, 2000” cost report filed under the previous cost based reimbursement system. These rates are adjusted annually by the amount

*Federally Qualified Health Center* – The Center was designated as a Federally Qualified Health Center (FQHC). Under FQHC guidelines, payment for services provided to Medicare and Medi-Cal patients is reimbursed at an all-inclusive rate per visit.

*Other Payors* – The Center also has entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, preferred-provider organizations, and patients considered eligible for coverage under certain Federal Financial Assistance grants. The basis for payment to the Center under these agreements includes discounts from established charges and prospectively determined per-visit rates. Patients under 200% of the Federal poverty guidelines are charged on a sliding-fee discount basis depending upon family size and income.

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered.

**Grant Revenue**

The policy of the Center is to recognize revenue from all contracts to the extent of eligible costs incurred up to an amount not to exceed the total contract authorized.

**Charity Care**

The Center provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. The Center does not pursue collection of amounts determined to qualify as charity care and they are not reported as revenue.

**Shingletown Medical Center**  
**Notes to the Financial Statements (Continued)**  
**For the Years Ended June 30, 2016 and 2015**

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**Note 2 – Summary of Significant Accounting Policies (Continued)**

**Vacation Pay**

The Center permits its employees to accumulate vacation credit hours over their working career and to redeem such unused vacation hours in cash upon termination of employment. Vacation benefits may be accumulated to a maximum of 240 hours. Employees earn vacation hours based on length of service. Employees will not earn any additional credit hours until previously accumulated vacation benefits have been used.

**Income Taxes**

The Center has been recognized by the Internal Revenue Service as a not-for-profit corporation as described in §501(c)(3) of the Internal Revenue Code (“IRC”) and is exempt from federal and state income taxes on related income pursuant to §501(a) of the IRC and California Revenue and Taxation Code §23701d.

Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 740, *Income Taxes*, clarifies the accounting for income taxes by prescribing a minimum recognition threshold that a tax position is required to meet before being recognized in the financial statements. FASB ASC 740 also provides guidance on de-recognition, measurement, classification, interest and penalties, disclosure, and transition. The guidance contained in FASB ASC 740 is applicable to pass-through entities and tax-exempt organizations. The Center has no significant uncertain tax positions or tax liability for tax benefits, interest or penalties accrued as of June 30, 2016 and 2015. Management believes that the Center is no longer subject to income tax examination for the years prior to 2009.

**Fair Value**

Unless otherwise indicated, the fair values of all reported assets and liabilities, which represent financial instruments and, with none being held for trading purposes, approximate the carrying values of such amounts.

Accounting principles generally accepted in the United States of America defines fair value, establishes a framework for measuring fair value and establishes disclosures about fair measurements. Assets and liabilities recorded at fair value in the Statements of Financial Position are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Level of inputs, are as follows:

**Level 1** – Quoted market prices in active markets for identical assets or liabilities.

**Level 2** – Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full terms of the assets or liabilities.

**Level 3** – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.



**Shingletown Medical Center**  
**Notes to the Financial Statements (Continued)**  
**For the Years Ended June 30, 2016 and 2015**

**Note 2 – Summary of Significant Accounting Policies (Continued)**

**Use of Accounting Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”) requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, revenues and expenses as of the date and for the period presented. Actual results could differ from those estimates.

**Reclassification**

Certain accounts from prior year have been reclassified to be consistent with current year presentation. There is no impact to the Statement of Activities and Cash Flows

**Note 3 – Cash and Cash Equivalents**

At June 30, 2016 and 2015, cash and cash equivalents consisted of the following:

Description	2016			2015		
	Per Book	Per Bank	Uninsured Amount	Per Book	Per Bank	Uninsured Amount
Petty cash	\$ 350	\$ -	\$ 350	\$ 350	\$ -	\$ 350
Tri Counties Bank - General Checking	693,269	663,487	413,487	117,875	61,645	-
Tri Counties Bank - Savings	-	-	-	415,026	415,026	165,026
Tri Counties Bank - Tech Savings	-	-	-	69,336	67,336	67,336
Tri Counties Bank - PMMI	496,705	496,705	496,705	-	-	-
Tri Counties Bank - Clearing Account	100	100	100	-	-	-
Tri Counties Bank - Certificate of Deposit	-	-	-	100,069	100,066	-
<b>Total cash and cash equivalents</b>	<b>\$1,190,424</b>	<b>\$1,160,292</b>	<b>\$ 910,642</b>	<b>\$ 702,656</b>	<b>\$ 644,073</b>	<b>\$ 232,712</b>

**Note 4 – Concentration of Credit Risk and Patient Accounts Receivable**

The Center grants credit without collateral to its patients, most of whom are local residents and are insured under third-party agreements. At June 30, 2016 and 2015, accounts receivable from patients were as follows:

Payor Class	2016		2015	
Medicare	\$ 137,284	37.10%	\$ 85,830	26.38%
Medi-Cal	107,132	28.95%	109,334	33.61%
Other third-party payors & patients	125,630	33.95%	130,142	40.01%
<b>Subtotal</b>	<b>370,046</b>	<b>100.00%</b>	<b>325,306</b>	<b>100.00%</b>
Less: allowance for doubtful accounts	(115,308)		(133,289)	
<b>Total patient accounts receivable, net</b>	<b>\$ 254,738</b>		<b>\$ 192,017</b>	

**Shingletown Medical Center**  
**Notes to the Financial Statements (Continued)**  
**For the Years Ended June 30, 2016 and 2015**

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**Note 5 – Grants and Other Receivables**

Grants and other revenues are derived through grants and contracts with the U.S. Department of Health and Human Services and the State of California Department of Health Services, and other grantors. As of June 30, 2016 and 2015, grants and other receivables were as follows:

	2016	2015
340B Program	\$ 83,444	\$ 35,969
Partnership Plan of California - Quality Improvement Plan	155,509	52,013
Health Center Cluster (CFDA #93.224)	-	29,256
Grant - Shasta County	15,130	3,801
Insurance claims receivable	20,434	-
<b>Total</b>	<b>\$ 274,517</b>	<b>\$ 121,039</b>

**Note 6 – Property and Equipment**

At June 30, 2016 and 2015, property and equipment were comprised of the following:

	2016	2015
Land	\$ 328,324	\$ 328,324
Building	1,268,119	1,268,119
Equipment	300,932	292,839
<b>Subtotal</b>	<b>1,897,375</b>	<b>1,889,282</b>
Less: accumulated depreciation	(733,781)	(685,448)
<b>Total</b>	<b>\$ 1,163,594</b>	<b>\$ 1,203,834</b>

Depreciation expenses for the years ended June 30, 2016 and 2015 were \$71,057 and \$74,138, respectively.

**Note 7 – Estimated Amount Due to Third-Party Payors**

Estimated amount due to third-party payors represents the estimate due to the State of California from overpayments on Medi-Cal managed-care wrap-around payments since the Center was placed on the prospective payment system by the Department of Health Care Services. At June 30, 2016 and 2015, the amounts due to the State were \$380,000 and \$62,642, respectively.

**Shingletown Medical Center**  
**Notes to the Financial Statements (Continued)**  
**For the Years Ended June 30, 2016 and 2015**

**Note 8 – Long-Term Debt**

At June 30, 2016 and 2015, long-term debt was comprised of the following:

	2016	2015
<b><u>California Health Facilities Financing Authority</u></b>		
The notes bears an interest rate of 3%, with a maturity date of October 2028. Monthly payment of principal and interest is due on the 1st of each month in the amount of \$1,946. The note is secured by the Center's real and personal property.	\$ 205,383	\$ 222,294
<b><u>Toshiba Lease</u></b>		
The capital lease agreement bears an interest rate of 1.7664% per annum, with a maturity date of September 2017. Monthly payment is due on 25th of each month in the amount of \$594.	29,169	37,590
<b>Total</b>	234,552	259,884
Less: current portion	(25,997)	(25,332)
<b>Long-term debt, net of current portion</b>	\$ 208,555	\$ 234,552

The financial lenders require the Center to maintain certain financial and non-financial covenants. The Center met all of these requirements for the fiscal years ended June 30, 2016 and 2015. Long-term principal debt repayments until maturity are as follows:

Year	Total
2017	\$ 25,997
2018	26,679
2019	27,381
2020	22,059
2021	19,644
Thereafter	112,792
Total	\$ 234,552

The Center maintains a bank line of credit in the amount of \$250,000, which expires on June 15, 2017. The line of credit is secured by the Center's properties. Interest is charged at the Variable Interest Rate of Wall Street Journal Prime plus 1.50% to 1.40%. As of June 30, 2016, there was no outstanding balance on the line of credit.

**Note 9 – Insurance**

**General Liability and Workers' Compensation**

The Center is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; job-related illnesses or injuries to employees; and natural disasters for which the Center carries commercial insurance. The Center purchases commercial insurance to cover the risk of loss for property and business liability. There are no known claims or incidents that may result in the assertion of material claims arising from potential losses.

**Shingletown Medical Center**  
**Notes to the Financial Statements (Continued)**  
**For the Years Ended June 30, 2016 and 2015**

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**Note 9 – Insurance (Continued)**

Medical Malpractice

The U.S. Department of Health and Human Services has deemed the Center and its practicing physicians be covered under the Federal Tort Claims Act (“FTCA”) for damage for personal injury, including death, resulting from the performance of medical, surgical, dental and related functions. FTCA coverage is comparable to an occurrence policy without a monetary cap.

Accounting principles generally accepted in the United States of America require a health care provider to accrue the expense of its share of malpractice claim costs, if any, for any reported and unreported incidents of potential improper professional service occurring during the year by estimating the probable ultimate costs of the incidents. Based upon the Center’s claim experience, no such accrual has been made. It is reasonably possible that this estimate could change materially in the near term.

**Note 10 – Profit Sharing Plan**

All full-time and part-time employees may make pre-tax deferrals of their pay through a personally selected 403(b) retirement savings plan. During the years ended June 30, 2016 and 2015, the Center did not make any contributions on the employees’ behalf to the 403(b) retirement savings plan.

**Note 11 – Contingencies**

Medi-Cal Program

The Center participates in the State of California Federally Qualified Health Center Medi-Cal reimbursement program. The State of California performs periodic audits that could result in some patient costs and visits not being reimbursable or allowable, or an adjustment in reimbursement rates, under the terms of the program.

Grants and Contracts

Continuing program funding from federal and state sources is contingent upon availability of funds and project performance. The funds are awarded on a yearly basis upon receipt and approval of program applications. In addition, expenses made under federal and state grants are subject to review and audit by the grantor agencies.

Wetland Settlement

During the summer of 2002, the land owners in and around the meadow in which the Center is located, submitted “After the Fact Permit Applications” to the Army Corps of Engineers (“ACOE”) in order to mitigate land fill and other improvements made several years earlier. At the time of improvements, it was not known that the area was located in a designated Wetlands Area. All landowners signed Settlement Agreements distributing the liability proportionately, and all appropriate environmental studies were completed according to ACOE instruction. These were included in the application package to the ACOE. While ACOE still has not issued any written approval of either the Application or the Agreements, it is anticipated that the Center and the other landowners will contribute funds to an endowment which will monitor the wetlands in perpetuity.