

**METROCREST MEDICAL
FOUNDATION**

Financial Statements

June 30, 2008

METROCREST MEDICAL FOUNDATION
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Independent Auditor's Report

To the Board of Directors
Metrocrest Medical Foundation

We have audited the accompanying statement of financial position of Metrocrest Medical Foundation (a nonprofit organization) as of June 30, 2008, and the related statements of activities, 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.

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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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 Metrocrest Medical Foundation as of June 30, 2008 and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Brosowski, Mares, Smothermon & Co., P.C.

Dallas, Texas
January 27, 2009

METROCREST MEDICAL FOUNDATION
STATEMENT OF FINANCIAL POSITION
June 30, 2008

ASSETS

Current assets:		
Cash	\$	139,267
Investments		473,848
Accounts receivable:		
Pledges		1,200
Interest		3,819
Total current assets		<u>618,134</u>
Property and equipment, net		<u>191</u>
Total assets	\$	<u><u>618,325</u></u>

LIABILITIES AND NET ASSETS

Current liabilities:		
Accrued liabilities	\$	11,384
Deferred revenue		3,219
Total current liabilities		<u>14,603</u>
Net assets:		
Unrestricted		174,619
Temporarily restricted		143,886
Permanently restricted		285,217
Total net assets		<u>603,722</u>
Total liabilities and net assets	\$	<u><u>618,325</u></u>

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

METROCREST MEDICAL FOUNDATION
STATEMENT OF ACTIVITIES
For the year ended June 30, 2008

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Totals</u>
Public support:				
Contributions	\$ 25,923	\$ 17,485	\$ -	\$ 43,408
Contributions-MHA	-	285,000	-	285,000
Donated facilities	16,704	-	-	16,704
Special events revenue	142,161	-	-	142,161
	<u>184,788</u>	<u>302,485</u>	<u>-</u>	<u>487,273</u>
Net assets released from restrictions	<u>299,205</u>	<u>(299,205)</u>	<u>-</u>	<u>-</u>
Total public support	<u>483,993</u>	<u>3,280</u>	<u>-</u>	<u>487,273</u>
Other revenue:				
Interest and dividends	5,896	13,631	-	19,527
Realized gains	10,272	-	-	10,272
Unrealized gains (losses)	(32,197)	6,068	-	(26,129)
	<u>(16,029)</u>	<u>19,699</u>	<u>-</u>	<u>3,670</u>
Total other revenue	<u>(16,029)</u>	<u>19,699</u>	<u>-</u>	<u>3,670</u>
Total public support and other revenue	<u>467,964</u>	<u>22,979</u>	<u>-</u>	<u>490,943</u>
Expenses:				
Program services	225,088	-	-	225,088
Management and general	245,927	-	-	245,927
	<u>471,015</u>	<u>-</u>	<u>-</u>	<u>471,015</u>
Total expenses	<u>471,015</u>	<u>-</u>	<u>-</u>	<u>471,015</u>
Increase (decrease) in net assets	(3,051)	22,979	-	19,928
Net assets, beginning of year	<u>177,670</u>	<u>120,907</u>	<u>285,217</u>	<u>583,794</u>
Net assets, end of year	<u>\$ 174,619</u>	<u>\$ 143,886</u>	<u>\$ 285,217</u>	<u>\$ 603,722</u>

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

METROCREST MEDICAL FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended June 30, 2008

	<u>Program Services</u>	<u>Management and General</u>	<u>Totals</u>
Salaries	\$ 57,976	\$ 107,671	\$ 165,647
Contract labor	-	6,517	6,517
Payroll taxes	4,343	8,066	12,409
Employee benefits	9,226	17,133	26,359
Retirement contributions	4,339	8,056	12,395
Program services			
Grants made	130,000	-	130,000
Project equipment	13,617	-	13,617
Medical supplies	3,202	-	3,202
Miscellaneous	2,385	-	2,385
Special event expenses	-	54,863	54,863
Advertising	-	635	635
Bank charges	-	49	49
Board expenses	-	282	282
Computer service & maintenance	-	3,480	3,480
Depreciation	-	1,456	1,456
Membership fees	-	2,531	2,531
Insurance expense	-	4,022	4,022
Investment management fees	-	2,259	2,259
Miscellaneous expense	-	484	484
Office expenses	-	2,641	2,641
Postage	-	34	34
Printing	-	955	955
Professional fees	-	5,200	5,200
Publications	-	213	213
Facilities cost	-	16,741	16,741
Training	-	758	758
Travel	-	1,881	1,881
	<u>\$ 225,088</u>	<u>\$ 245,927</u>	<u>\$ 471,015</u>

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

METROCREST MEDICAL FOUNDATION

STATEMENT OF CASH FLOWS

For the year ended June 30, 2008

Cash flows from operating activities:	
Increase in net assets	\$ 19,928
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation	1,456
Net realized and unrealized loss on investments	15,857
Decrease in operating assets:	
Accounts receivable	53,331
Prepaid expenses	2,979
(Decrease) in operating liabilities:	
Accrued liabilities	(6,233)
Deferred revenue	(17,235)
Net cash provided by operating activities	<u>70,083</u>
Cash flows from investing activities:	
Proceeds from sales and maturities of securities	161,159
Purchases of securities	<u>(213,258)</u>
Net cash used in investing activities	<u>(52,099)</u>
Net increase in cash and cash equivalents	17,984
Cash and cash equivalents, beginning of year	<u>121,283</u>
Cash and cash equivalents, end of year	<u>\$ 139,267</u>

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

METROCREST MEDICAL FOUNDATION
NOTES TO FINANCIAL STATEMENTS

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Operations

The Metrocrest Medical Foundation (“the Organization”) is a not-for-profit organization formed in 1979 to solicit donations and maintain net assets subject to restrictions set forth by donors for the support of initiatives of the Metrocrest Hospital Authority (“MHA”), a body politic. Such initiatives are designed to enhance the quality of healthcare for people of all means residing in the cities of Farmers Branch, Carrollton, Coppell, Addison, and The Colony, Texas, and northern portions of the City of Dallas, Texas.

The Organization and MHA have certain common members of their respective boards of directors. These directors do not constitute a majority of either board.

Basis of Accounting

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

Basis of Presentation

The Organization reports 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.

Fees, grants, and contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor or grantor restrictions.

Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all currency on hand, demand deposits with banks or financial institutions, and highly liquid short-term investments to be cash and cash equivalents.

Promises to Give

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 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.

METROCREST MEDICAL FOUNDATION
NOTES TO FINANCIAL STATEMENTS

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Organization uses the allowance method to determine uncollectible unconditional promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made.

Investments

All investments in equity securities with a readily determinable fair value and all investments in debt securities are recorded at fair value based on market quotes with both realized and unrealized gains and losses included in the statement of activities. Investments donated to the Organization are recorded at their estimated fair values as of the contribution date.

Financial Instruments and Concentration of Credit Risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of unconditional promises to give. Concentrations of credit risk with respect to promises to give exist because of the limited number of donors. The Organization has not experienced any losses related to such promises and believes it is not exposed to any significant credit risk.

Donated Assets

Donated assets are recorded as contributions at their estimated fair market values at the date of donation. Such donations are reported as unrestricted support 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 support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expiration of donor restrictions when the donated assets are placed in service as instructed by the donor.

Donated Services

No amounts have been reflected in the financial statements for donated services. The Organization pays for most services requiring specific expertise; however, many individuals volunteer their time and perform a variety of tasks that help the Organization. The Organization received approximately 397 volunteer hours during the year ended June 30, 2008.

METROCREST MEDICAL FOUNDATION
NOTES TO FINANCIAL STATEMENTS

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Property and Equipment

Property and equipment are carried at cost or estimated fair market value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Maintenance charges are expensed as incurred. Repairs that materially extend the life of an asset are capitalized.

Functional Expenses

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

Income Taxes

The Organization is exempt from Federal income tax as an organization described in Section 501(c)(3) of the Internal Revenue Code.

NOTE 2 — PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

		<u>ESTIMATED USEFUL LIVES</u>
Office furniture	\$ 846	7 years
Software	11,441	5 years
Equipment	<u>1,738</u>	3 years
	14,025	
Accumulated depreciation	<u>(13,834)</u>	
	<u>\$ 191</u>	

Depreciation expense was \$1,456 for the year ended June 30, 2008.

METROCREST MEDICAL FOUNDATION
NOTES TO FINANCIAL STATEMENTS

NOTE 3 — INVESTMENTS

Investments in marketable securities consist of the following:

	<u>Cost</u>	<u>Fair Value</u>
Common stocks	\$ 120,491	\$ 114,033
Mutual funds	102,111	103,362
Certificates of deposit	<u>258,000</u>	<u>256,453</u>
	<u>\$ 480,602</u>	<u>\$ 473,848</u>

NOTE 4 — RESTRICTIONS ON NET ASSETS

The Organization's primary activities consist of providing funding for various healthcare needs throughout the Organization's service area. Major programs that are supported are as follows:

Lifeline - The Organization provides financial assistance to persons needing the Lifeline emergency call button.

DTAG - DTAG is a tattoo removal program funded by the Organization.

Prescriptions - The Organization assists patients with funding for prescription drugs.

Education and Lectures - The Organization provides funding for attendance at continuing education programs by healthcare workers. Additionally, the Organization supports continuing education programs at MHA facilities, including their two community hospitals.

Grants - The Organization provides grants to healthcare programs and related issues within the Organization's service area.

Investment income allocated to permanently restricted net assets is temporarily restricted as to use in accordance with donor restrictions.

METROCREST MEDICAL FOUNDATION
NOTES TO FINANCIAL STATEMENTS

NOTE 4 — RESTRICTIONS ON NET ASSETS (CONTINUED)

The following table summarizes the nature and amount of restrictions on net assets as of June 30, 2008:

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>
Undesignated support	\$174,619	\$ -	\$ -
Program grants	-	5,000	-
Lifeline	-	33,001	120,000
Education endowments	-	30,766	95,538
Lectureship endowments	-	6,158	24,405
Williams memorial	-	6,574	35,167
Prescriptions	-	6,523	10,107
Women's Health Fund	-	22,068	-
Key sports center	-	7,500	-
DTAG	-	5,046	-
Others	-	21,250	-
Total	<u>\$174,619</u>	<u>\$ 143,886</u>	<u>\$285,217</u>

NOTE 5 — ECONOMIC DEPENDENCE

During fiscal year 2008, MHA issued quarterly payments to the Organization to be used for general operating expenses, totaling \$150,000. MHA also issued quarterly payments to the Organization for use in community service projects, totaling \$135,000; however, these payments were suspended indefinitely during the Organization's third quarter. Additionally, MHA donated office space to the Organization with a fair value of \$16,704 during the same period.

These grants have represented significant sources of support to fund the activities and programs of the Organization, and there are no assurances that such funding will continue to be available.