

University Muslim Medical Association, Inc.
Audited Financial Statements
Years ended December 31, 2013 and 2012
with Report of Independent Auditors

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REPORT OF INDEPENDENT AUDITORS ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	20

Report of Independent Auditors

Board of Directors University Muslim Medical Association, Inc.

We have audited the accompanying financial statements of University Muslim Medical Association, Inc. (UMMA), which comprise the statements of financial position as of December 31, 2013 and 2012 and the related statements of activities 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 Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit 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 financial position of UMMA as of December 31, 2013 and 2012, and the changes in its 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 Information

Our audit report was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedules of functional expenses are presented for the purpose of additional analyses and are not required parts 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 records 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 May 23, 2014 on our consideration of UMMA'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 UMMA's internal control over financial reporting and compliance.

Vargay + Company LLP

Los Angeles, California
May 23, 2014

University Muslim Medical Association, Inc.
Statements of Financial Position

		December 31,	
		2013	2012
ASSETS			
Current assets			
Cash and cash equivalents	\$	1,196,082	\$ 1,526,343
Patient fees receivable, net of allowance for doubtful accounts of \$67,022 (2013) and \$37,178 (2012)		414,259	262,852
Third-party settlements receivable		60,608	115,597
Grants and contracts receivable		305,264	56,366
Pledges receivable		45,116	-
Prepaid expenses		95,536	74,457
Total current assets		2,116,865	2,035,615
Noncurrent assets			
Property and equipment, net of accumulated depreciation and amortization of \$517,654 (2013) and \$398,517 (2012)		1,808,055	1,767,087
Other assets		20,124	17,200
Total assets	\$	3,945,044	\$ 3,819,902
LIABILITIES AND NET ASSETS			
Current liabilities			
Accounts payable	\$	145,708	\$ 106,347
Accrued compensation		261,156	122,818
Total current liabilities		406,864	229,165
Noncurrent liabilities			
Refundable advance, net		437,175	531,942
Third-party settlement debt		76,985	-
Total liabilities		921,024	761,107
Net assets			
Unrestricted		2,043,629	2,230,177
Temporarily restricted		980,391	828,618
Total net assets		3,024,020	3,058,795
Total liabilities and net assets	\$	3,945,044	\$ 3,819,902

See notes to financial statements.

University Muslim Medical Association, Inc.
Statement of Activities
Year Ended December 31, 2013

	Unrestricted	Temporarily Restricted	Total
Revenues and support			
Patient services, net	\$ 2,410,197	\$ -	\$ 2,410,197
DHHS grants	721,476	-	721,476
Contract services-County of Los Angeles Department of Health	377,192	-	377,192
Grants and contributions	1,117,663	792,403	1,910,066
Donated services, equipment and gift -in-kind	318,016	-	318,016
Other	86,386	-	86,386
Net assets released from restrictions	640,630	(640,630)	-
Total revenues and support	5,671,560	151,773	5,823,333
Expenses			
Program services	4,520,886	-	4,520,886
Supporting services			
Management and general	793,298	-	793,298
Fundraising	543,924	-	543,924
Total expenses	5,858,108	-	5,858,108
Change in net assets	(186,548)	151,773	(34,775)
Net assets			
Beginning of year	2,230,177	828,618	3,058,795
End of year	\$ 2,043,629	\$ 980,391	\$ 3,024,020

See notes to financial statements.

University Muslim Medical Association, Inc.
Statement of Activities
Year Ended December 31, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues and support			
Patient services, net	\$ 2,301,284	\$ -	\$ 2,301,284
DHHS grants	595,984	-	595,984
Contract services-County of Los Angeles Department of Health	182,104	-	182,104
Grants and contributions	503,085	891,437	1,394,522
Donated services, equipment and gift -in-kind	304,922	-	304,922
Other	43,485	-	43,485
Net assets released from restrictions	714,092	(714,092)	-
Total revenues and support	<u>4,644,956</u>	<u>177,345</u>	<u>4,822,301</u>
Expenses			
Program services	2,967,092	-	2,967,092
Supporting services		-	
Management and general	866,245	-	866,245
Fundraising	437,910	-	437,910
Total expenses	<u>4,271,247</u>	<u>-</u>	<u>4,271,247</u>
Change in net assets	373,709	177,345	551,054
Net assets			
Beginning of year	1,856,468	651,273	2,507,741
End of year	<u>\$ 2,230,177</u>	<u>\$ 828,618</u>	<u>\$ 3,058,795</u>

See notes to financial statements.

University Muslim Medical Association, Inc.
Statements of Cash Flows

	Years ended December 31,	
	2013	2012
Cash flows from operating activities		
Change in net assets	\$ (34,775)	\$ 551,054
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	119,136	98,258
Provision for doubtful accounts	24,038	29,741
Donated property and equipment	(94,767)	(92,006)
Decrease (increase) in assets:		
Patient fees receivable	(175,445)	(98,796)
Third-party settlements receivable	54,989	3,809
Grants and contracts receivable	(248,898)	7,173
Pledges receivable	(45,116)	55,000
Prepaid expenses	(21,079)	(31,099)
Other assets	(2,924)	(14,600)
Increase (decrease) in liabilities:		
Accounts payable	39,361	35,745
Accrued compensation	138,338	(28,922)
Net cash provided by (used in) operating activities	(247,142)	515,357
Cash flows from investing activities		
Purchase of property and equipment	(160,105)	(91,373)
Cash flows from financing activities		
Cash received from grants for capital expenditures	76,986	-
Net (decrease) increase in cash and equivalents	(330,261)	423,984
Cash and cash equivalents- beginning of year	1,526,343	1,102,359
Cash and cash equivalents - end of year	\$ 1,196,082	\$ 1,526,343

See notes to financial statements.

NOTE 1 DESCRIPTION OF ORGANIZATION

University Muslim Medical Association, Inc. (UMMA) operates a not-for-profit healthcare center in Los Angeles, California. UMMA provides a broad range of health services to an impoverished and medically underserved community, regardless of ability to pay.

The U.S. Department of Health and Human Services (DHHS) provides substantial support to UMMA. UMMA is obligated under the terms of the DHHS grants to comply with specified conditions and program requirements set forth by the grantor.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

UMMA classifies its net assets into three categories: unrestricted, temporarily restricted and permanently restricted.

Unrestricted - net assets are reflective of revenues and expenses associated with the principal operating activities of UMMA and are not subject to donor-imposed stipulations.

Temporarily restricted - net assets are subject to donor-imposed stipulations that or will be met by actions of UMMA and/or the passage of time. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statements of operations and changes in net assets as net assets released from restrictions. Donor-restricted contributions in the financial statements.

Permanently restricted - net assets are subject to donor-imposed stipulations that must be maintained permanently by UMMA. There were no permanently restricted net assets at December 31, 2013 and 2012.

Use of 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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. The use of estimates and assumptions in the preparation of the accompanying financial statements is related primarily to the determination for allowance for doubtful accounts in calculation of net patient services receivable, allowance for doubtful pledges receivable and estimated third-party payer settlement payable or receivable.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalent

UMMA maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. UMMA has not experienced any losses in such accounts.

For the purpose of the statement of cash flows, UMMA considers all unrestricted highly liquid investments purchased with an initial maturity of three months or less to be cash equivalents.

Patient Fees Receivable

The collection of receivables from third-party payors (consisting of Medi-Cal, fee-for-service contracts, managed care contracts and L.A. County Public Private Partnership (PPP) contracts, which includes a newly created L.A. County program, Healthy Way LA) and patients are UMMA's primary source of cash for operations and is critical to its operating performance. Patient receivables from third-party payors are carried at a net amount determined by the original charge for the service provided, less an estimate made for contractual adjustments, discounts provided to third-party payors and allowances for doubtful accounts.

Receivables due directly from patients are carried at the original charge for the service provided, less discounts provided under UMMA's charity care policy, amounts covered by third-party payors and an estimated allowance for doubtful receivables. Management determines the allowance for doubtful accounts by identifying troubled accounts and applying historical experience to an aging of accounts. UMMA considers accounts past due when they are outstanding beyond 90 days with no payment. UMMA does not charge interest on past due accounts. Patient receivables are written off as bad debt expense when deemed uncollectible. Recoveries of receivables previously written off are recorded as a reduction of bad debt expense when received. As of December 31, 2013 and 2012, the allowance for doubtful accounts amounts to \$67,022 and \$37,178 respectively.

Services may be performed for patients whom the ultimate collection of all or a portion of the amounts billed or billable cannot be determined at the time services are rendered. As a result, those healthcare entities might record revenue along with a relatively high bad debt provision in the period of service.

Grants, Contributions and Pledges Receivable

Grants, contributions and pledges receivable reflect amounts earned but not yet collected for which UMMA expects to realize payment.

Property and Equipment

Property and equipment are recorded at cost or, if donated, at the fair value at the date of donation. Depreciation and amortization are recorded on a straight-line basis over the estimated useful lives of the assets ranging from three to 39 years. Leasehold improvements are amortized on a straight-line basis over the estimated useful life of the improvement or the term of the lease, whichever is less. UMMA capitalizes all purchases of property and equipment in excess of \$2,000.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

According to federal regulations, any equipment items obtained through federal funds are subject to a lien by the federal government. As long as UMMA maintains its tax-exempt status, or so long as the equipment is used for its intended purpose, UMMA is not required to reimburse the federal government. If the stated requirements are not met, UMMA would be obligated to the federal government to return the equipment or reimburse an amount equal to the fair value of the equipment.

In the event the DHHS grants are terminated, the DHHS reserves the right to transfer all property and equipment purchased with grant funds to Public Health Services or third parties.

Patient Services Revenue

UMMA has agreements with third-party payors that provide for payments to UMMA at amounts different from its established rates. Payment arrangements include predetermined fee schedules and discounted charges. Service fees are reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered, including retroactive adjustments under reimbursement agreements with third-party payors, which are subject to audit by administering agencies. These adjustments are accrued on an estimated basis and are adjusted in future periods as final settlements are determined. UMMA provides care to certain patients under Medi-Cal and LA County payment arrangements. Laws and regulations governing the Medi-Cal and LA County programs are complex and subject to interpretation. Compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action. Self-pay revenue is recorded at published charges net of charitable allowances calculated on a sliding fee scale based on patient income to arrive at net self-pay revenue.

Estimated Third-party Payor Settlements

Certain of UMMA's arrangements with third-party payors provide for interim reimbursement that is subject to retroactive adjustment and settlement. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Grants Revenue

Grants are recognized as revenue when earned. Expense-driven grants are recognized as revenue when the qualifying expenses have been incurred and all other grant requirements have been met. Grant funds received prior to the incurrence of the qualifying expenses are deferred.

Contract Service Revenue

Contract service revenue is recognized as revenue when it is earned.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Donated Services and Gifts-in-kind

Contributions of donated pharmaceuticals, equipment and services are reported as revenue at fair value. Services are recognized only if service creates or enhances nonfinancial assets, or if they require special skills and are provided by individuals possessing such special skills and would typically need to be purchased by UMMA if they had not been donated.

Contributions

Contributions, some of which are multi-year, are recorded at fair value when received or pledged. Amounts are recorded as temporarily or permanently restricted revenue if they have donor stipulations that limit the use of the donated asset. When a donor restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted assets are reclassified to unrestricted net assets and reported in the statements of operations and changes in net assets as net assets released from restrictions.

Donor-restricted contributions whose restrictions are met during the same fiscal year are recognized as unrestricted revenue. Contributions awarded for the acquisition of long-lived assets are reported as non-operating revenue. Conditional contributions received are recorded as refundable advances and will be recognized as the conditions are met.

Tax Status

UMMA is a nonprofit corporation exempt from the payment of income taxes under Internal Revenue Code Section 501(c) (3) and California Revenue and Taxation Code Section 23701(d). Accordingly, no provision has been made for income taxes. However, UMMA is subject to income taxes on any net income that is derived from a trade or business not in furtherance of the purposes for which it was granted exemption. No income tax provision has been recorded as the net income, if any, from any unrelated trade or business in the opinion of management, is not material to the financial statements taken as a whole.

UMMA has adopted Financial Accounting Standards Board Accounting Standards Codification (ASC) Section 740-10, which clarifies the accounting for uncertainty in income taxes. ASC Section 740-10 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. ASC Section 740-10 requires that an organization recognize in the financial statements the impact of the tax position if that position will more likely than not be sustained on audit, based on the technical merits of the position. As of and for the years ended December 31, 2013 and 2012, UMMA had no material unrecognized tax benefits, tax penalties or interest.

UMMA has adopted guidance on accounting for uncertainty in income taxes issued by the Financial Accounting Standards Board. Management believes that UMMA has taken no uncertain tax provisions that require adjustment to the financial statements to comply with the provisions of this guidance. As of December 31, 2013, information returns subsequent to 2009 filed by UMMA are subject to examination by authorities.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reclassification

Certain 2012 amounts have been reclassified to conform to the 2013 financial statement position.

NOTE 3 PATIENT FEES RECEIVABLE AND REVENUES

At December 31, patient fees receivable consist of the following:

	2013	2012
County of Los Angeles Health Programs	\$ 339,357	\$ 168,616
Managed care	45,277	50,026
Family Pact	24,350	12,895
Queens Care	13,082	5,090
Medical	56,027	61,145
Others	3,188	2,258
	481,281	300,030
Less allowance for doubtful accounts	67,022	37,178
	\$ 414,259	\$ 262,852

UMMA has agreements with third-party payors that provide for reimbursement to UMMA at amounts different from its established rates. Contractual adjustments under third-party reimbursement programs represent the difference between UMMA's billings at list price and the amounts reimbursed by Medicare, Medi-Cal and certain other third-party payors, and any differences between estimated third-party reimbursement settlements for prior years and subsequent final settlements. A summary of the basis of reimbursement with major third-party payors follows:

Other Third-party and Managed Care

UMMA has also entered into reimbursement agreements with certain non-Medi-Cal commercial insurance carriers, health maintenance organizations and preferred provider organizations. The basis for payment under these agreements includes discounts from established charges and prospectively determined per diem rates. For the years ended December 31, 2013 and 2012, the combined LA County PPP and Healthy Way LA contracts represented approximately 38 percent and 45 percent, respectively, and managed care represented 36 percent and 43 percent, respectively, of net patient revenues from services provided.

Medi-Cal

UMMA is paid for patient services rendered to Medi-Cal program beneficiaries primarily under contractual agreements with third-party Medi-Cal managed care organizations. Additional wrap around reimbursement by the California Department of Public Welfare is generally paid quarterly on a per-encounter basis, according to a cost-based reimbursement system.

NOTE 3 PATIENT FEES RECEIVABLE AND REVENUES (CONTINUED)

For the years ended December 31, 2013 and 2012, UMMA recognized approximately 25 percent and 12 percent, respectively, of net patient services revenue from services provided to Medi-Cal patients. Laws and regulations governing Medicare and Medi-Cal programs are complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. UMMA believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation, as well as significant regulatory action including fines, penalties and exclusion from the Los Angeles County and Medi-Cal programs.

NOTE 4 THIRD-PARTY SETTLEMENTS RECEIVABLE

Third-party settlements receivable from the County of Los Angeles consist of the following at December 31:

	2013	2012
Medi-Cal/ FQHC reconciliation reports	\$ 60,608	\$ 115,597

NOTE 5 GRANTS AND CONTRACTS RECEIVABLE

Grants and contracts receivable consist of the following at December 31:

	2013	2012
County of Los Angeles Department of Mental Health, Community Health Council	\$ 305,264	\$ 56,366

NOTE 6 PLEDGES RECEIVABLE

Pledges are generally recognized as revenue when unconditional pledges are made at the present value of expected future payments. Pledges receivable are scheduled to be received at December 31 as follows:

	2013	2012
Due in one year or less	\$ 45,116	\$ -
Due after one year through three years	-	-
Total pledges receivable	45,116	-
Less allowance for doubtful pledges	-	-
	\$ 45,116	\$ -

University Muslim Medical Association, Inc.
Notes to Financial Statements
Years ended December 31, 2013 and 2012

NOTE 7 PROPERTY AND EQUIPMENT

Property and equipment at December 31 are composed of:

		<u>2013</u>		<u>2012</u>
Land	\$	656,000	\$	656,000
Buildings and improvements		971,707		961,659
Furniture and equipment		669,924		531,867
Leasehold improvements		28,078		16,078
		<u>2,325,709</u>		<u>2,165,604</u>
Less accumulated depreciation and amortization		517,654		398,517
	\$	<u>1,808,055</u>	\$	<u>1,767,087</u>

NOTE 8 REFUNDABLE ADVANCE, NET

Refundable advance, net consists of the following at December 31:

		<u>2013</u>		<u>2012</u>
Credit obligation service (Note 11)	\$	531,942	\$	623,948
Amortization (Note 11)		(94,767)		(92,006)
	\$	<u>437,175</u>	\$	<u>531,942</u>

NOTE 9 THIRD-PARTY SETTLEMENT DEBT

The third party settlement debt of \$76,986 as of December 31, 2013 is the amount due to the County of Los Angeles based on the Medi-Cal/ FQHC reconciliation report for the year ended December 31, 2012.

NOTE 10 TEMPORARILY RESCTRICTED NET ASSETS

Temporarily restricted net assets consist of the following at December 31:

	Balance December 31, 2012	Net Asset Additions	Net Assets Released	Balance December 31, 2013
California Wellness Foundation	\$ 122,458	\$ 68,856	\$ 122,458	\$ 68,856
California Endowment Foundation	57,520	144,971	57,520	144,971
California Community Foundation	65,833	49,432	65,833	49,432
Crail-Johnson Foundation	22,918	20,170	22,918	20,170
Zakat	52,926	50,017	16,714	86,229
Pillars of Tolerance Project	33,826	-	-	33,826
L.A. Care Health Plan	47,896	-	47,896	-
Blue Shield of California	13,333	109,807	13,333	109,807
Kaiser Permanente	155,833	2,172	89,715	68,290
Margic Johnson Foundation	10,000	-	3,516	6,484
The Ahmanson Foundation	18,525	-	18,525	-
Keck Foundation	-	179,223	-	179,223
Community Health Council Fremont	-	114,825	-	114,825
American Cancer Society	50,000	-	4,652	45,348
LA Care Tranqueda III	-	4,000	-	4,000
PGR	-	48,531	-	48,531
Individual donations-Fremont High School	-	400	-	400
	<u>177,550</u>	<u>-</u>	<u>177,550</u>	<u>-</u>
	<u>\$ 828,618</u>	<u>\$ 792,403</u>	<u>\$ 640,630</u>	<u>\$ 980,391</u>

University Muslim Medical Association, Inc.
Notes to Financial Statements
Years ended December 31, 2013 and 2012

NOTE 11 DONATED SERVICES, EQUIPMENT, AND GIFT-IN-KIND

Donated services consist of the following for the years ended December 31:

	<u>2013</u>	<u>2012</u>
Parmaceuticals	\$ 203,543	\$ 211,096
Donated services	19,706	1,820
Donated equipment	94,767	92,006
	<u>\$ 318,016</u>	<u>\$ 304,922</u>

On March 23, 2009, UMMA entered into an agreement with the Community Redevelopment Corporation of Los Angeles (CRC/LA) to receive property from CRC/LA as a conditional contribution. UMMA is required per the agreement to provide medical services equivalent to \$800,000, credit obligation service, which shall be reduced by providing eligible services over a 10-year period, from inception, August 2009, through August 2019, as set forth in the service agreement. In addition, per the service agreement, UMMA is required to provide a minimum number of eligible visits per year. As of December 31, 2013 and 2012, the gross credit obligation service amounted to \$531,942 and \$623,948, respectively and the amortized portion which represents the donated equipment amounted to \$94,767 and \$92,006 respectively. (See Note 8)

NOTE 12 GRANTS AND CONTRIBUTIONS

For the years ended December 31, UMMA recognized the following contracts and other grants:

	<u>2013</u>	<u>2012</u>
Contribution gifts and other grants	\$ 698,859	\$ 655,635
Zakat	50,017	36,301
LA Care Health Plan	10,000	10,000
California Community Foundation	90,000	125,000
The California Endowment	152,000	91,451
California Wellness Foundation	93,376	203,291
LA Care Tranquada (II and III)	125,000	-
Crail Johnson Foundation	25,000	25,000
Ahmanson Foundation	-	41,100
Margic Johnson Foundation	-	10,000
Electronic Health Record Meaningful Use	63,750	-
Southside Coalition	-	7,744
American Cancer Society	4,000	-
Community Health Council	214,257	-
Blue Shield of California	126,807	20,000
Keck Foundation	250,000	-
Kaiser Permanete	7,000	169,000
	<u>\$ 1,910,066</u>	<u>\$ 1,394,522</u>

NOTE 13 OPERATING LEASES

UMMA has entered into certain operating leases for facility space and equipment which expire through July 31, 2017. Minimum commitments under the various operating lease agreements having an initial or remaining non-cancelable term of more than one year are as follows:

	Minimum Lease Payment
2013	\$ 128,753
2014	112,861
2015	101,218
2016	101,323
2017	60,200
	<u>\$ 504,355</u>

Total rent expense for the facility and equipment amounted to \$101,758 and \$96,854, respectively, for the year ended December 31, 2013 and 2012.

NOTE 14 CHARITY CARE AND SOCIAL ACCOUNTABILITY

UMMA is a not-for-profit health care provider established to meet the health care needs of area residents. UMMA provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than established rates. Since UMMA does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. UMMA maintains records to identify and monitor the level of charity care it provides. The amount of charity care provided during the years ended December 31, 2013 and 2012 amounted approximately to \$86,000 and \$76,000, respectively.

NOTE 15 CONTIGENCIES

Contracted services

UMMA contracts with other agencies to perform certain healthcare services and receives Medi-Cal and PPP program of Los Angeles County (PPP and Healthy Way LA) revenue from the state and local governments. Reimbursements received under these contracts and payments under Medi-Cal and Los Angeles County are subject to audit by state and local governments and agencies. Upon audit, if discrepancies are discovered, UMMA could be held responsible for refunding the amounts in question.

NOTE 15 CONTINGENCIES (CONTINUED)

Federal and State Grants

The continuation of funding from federal, state, local and other sources is contingent upon availability of funds and project performance. The funds are awarded annually based either upon receipt and approval of a program application or upon completion of a performance review. In addition, expenditures made under federal and state and local grants are subject to review and audit by the grantor agencies. Management believes that any liability for reimbursement, which may arise as a result of these audits, is not material.

Medi-Cal and Medicare

UMMA participates in the Federally Qualified Health Center (FQHC) Medi-Cal reimbursement program. Under this program, UMMA is required to file a cost report at the end of its fiscal year. The purpose of this report is to determine total cost incurred in providing services to Medi-Cal patients and to reconcile payments received with total cost reported in the cost report. The cost reports are subject to review and audit by the Medicare Fiscal Intermediary and Medi-Cal.

Insurance

Professional and general liability insurance coverage is provided on both a claims-made basis and an occurrence basis. The claims-made policy, which is subject to renewal on an annual basis, covers only claims made during the term of the policy but not those occurrences for which claims may be made after expiration of the policy. UMMA intends to renew its coverage on a claims-made basis and has no reason to believe that it may be prevented from renewing such coverage. Additionally, UMMA believes that there is no significant exposure for claims incurred but not reported.

NOTE 16 CONCENTRATION OF CREDIT RISK

A substantial portion of the UUMA's revenues is derived from patient service revenue under the Los Angeles County Public Private Partnership program (PPP), /Healthy Way LA (HWLA), Medi-Cal/Medicare programs, other programs with the State of California and a HRSA Section 330(g) grant from U.S. Department of Health and Human Services. For the years ended December 31, 2013 and 2012, revenues from these programs accounted for approximately the following percentages of the UMMA's total revenue:

NOTE 16 CONCENTRATION OF CREDIT RISK (CONTINUED)

	2013	2012
Medi-Cal	5%	12%
Managed Care	17%	17%
Los Angeles County PPP /HWLA	19%	20%
US Department of Health	12%	12%
Other third-party payor	1%	1%

At December 31, 2013 and 2012, receivables from these programs accounted for approximately the following percentages of UMMA's total net receivable:

	2013	2012
Medi-Cal	7%	27%
Managed Care	5%	12%
Los Angeles County PPP /HWLA	43%	33%
Other third-party payor	0%	15%
Self-pay	2%	1%

NOTE 17 SUBSEQUENT EVENTS

UMMA has evaluated events subsequent to December 31, 2013 to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through May 23, 2014, the date these financial statements were available to be issued. Based on this evaluation, it was determined that no subsequent events occurred that require recognition or additional disclosure in the financial statements.

University Muslim Medical Association, Inc.
Schedule of Functional Expenses
Year ended December 31, 2013

	Program Services	General and Administrative	Fundraising	Total
Salaries and wages	\$ 2,159,433	\$ 185,618	\$ 148,130	\$ 2,493,181
Payroll taxes and benefits	393,709	33,690	26,886	454,285
Consultant and contractual services	658,937	217,804	194,152	1,070,893
Professional fees	-	37,664	-	37,664
Consumable supplies	356,937	26,790	4,685	388,412
Space cost	88,240	84,331	-	172,571
Insurance	59,372	7,165	-	66,537
Maintenance and service agreement	244,983	80,899	1,685	327,567
Telephone	54,221	30,421	268	84,910
Travel, conference and meetings	24,672	16,532	25,430	66,634
Fundraising events	-	-	59,695	59,695
Public relations and promotions	22,067	2,798	26,023	50,888
Dues and subscriptions	48,426	28,525	524	77,476
Printing, publications and postage	17,380	9,200	36,129	62,709
Staff development and recruitment	35,884	405	16,370	52,658
Provision for bad debts	24,038	-	-	24,038
Donated goods and services	223,249	-	-	223,249
Zakat donations	16,714	-	-	16,714
Depreciation and amortization	92,624	22,565	3,947	119,136
Miscellaneous	-	8,891	-	8,891
Total	\$ 4,520,886	\$ 793,298	\$ 543,924	\$ 5,858,108

University Muslim Medical Association, Inc.
Schedule of Functional Expenses
Year ended December 31, 2012

	Program Services	General and Administrative	Fundraising	Total
Salaries and wages	\$ 1,397,755	\$ 365,433	\$ 130,904	\$ 1,894,092
Payroll taxes and benefits	193,432	91,792	33,209	318,433
Consultant and contractual services	385,559	100,432	157,392	643,383
Professional fees	-	31,279	-	31,279
Consumable supplies	185,985	17,263	252	203,500
Space cost	62,815	55,631		118,446
Insurance	45,924	9,387	2,013	57,324
Maintenance and service agreement	157,328	68,321	2,375	228,024
Telephone	63,780	13,459	-	77,239
Travel, conference and meetings	3,688	16,258	1,878	21,824
Fundraising events	-	-	37,077	37,077
Public relations and promotions	11,859	1,531	28,403	41,793
Dues and subscriptions	7,541	8,750	667	16,958
Printing, publications and postage	9,190	2,577	39,519	51,286
Staff Development and recruitment	42,774	59,377	275	102,426
Provision for bad debts	29,741	-	-	29,741
Donated goods and services	212,916	-	-	212,916
Zakat donations	80,000	-	-	80,000
Depreciation and amortization	76,805	17,507	3,946	98,258
Miscellaneous	-	7,248	-	7,248
Total	\$ 2,967,092	\$ 866,245	\$ 437,910	\$ 4,271,247

**Report of Independent Auditors on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial
Statements Performed in Accordance with Government Auditing Standards**

**Board of Directors
University Muslim Medical Association, Inc.**

We have audited, in accordance with the 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, the financial statements of the University Muslim Medical Association, Inc.(UMMA), California not-for-profit corporation as of and for the year ended December 31, 2013, and the related notes to the financial statements, which comprise UMMA's basic financial statements, and have issued our report thereon dated May 23, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered UMMA's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of UMMA's internal control. Accordingly, we do not express an opinion on the effectiveness of UMMA's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether UMMA's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the UMMA's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Vargus + Company LLP

Los Angeles, California
May 23, 2014

