



University Muslim Medical Association, Inc.
Audited Financial Statements
As of and for the Years Ended December 31, 2016 and 2015
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 <i>GOVERNMENT AUDITING STANDARDS</i>	20

Report of Independent Auditors

Board of Directors
University Muslim Medical Association, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of the University Muslim Medical Association, Inc. (UMMA), which comprise the statements of financial position as of December 31, 2016 and 2015 and the related statements of activities, and cash flows for the years then ended, and the related notes to 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.

Auditors' 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 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, 2016 and 2015, 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.

Supplementary Information

Our audit 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 June 7, 2017 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.

A handwritten signature in black ink that reads "Vazquez & Company LLP". The signature is written in a cursive, flowing style.

Los Angeles, California
June 7, 2017

University Muslim Medical Association, Inc.
Statements of Financial Position

		December 31	
		2016	2015
ASSETS			
Current assets			
Cash and cash equivalents	\$	2,714,192	\$ 1,442,256
Patient fees receivable, net of allowance for doubtful accounts of \$87,938 and \$28,862, respectively		259,634	196,103
Third-party settlements receivable		194,971	419,038
Grants and contracts receivable		305,411	261,153
Prepaid expenses		69,810	71,303
Total current assets		3,544,018	2,389,853
Noncurrent assets			
Property and equipment, net of accumulated depreciation and amortization		1,602,640	1,621,258
Other assets		20,124	20,124
Total assets	\$	5,166,782	\$ 4,031,235
LIABILITIES AND NET ASSETS			
Current liabilities			
Accounts payable	\$	100,135	\$ 156,712
Accrued compensation		335,461	136,052
Third-party settlements payable		269,304	159,405
Total current liabilities		704,900	452,169
Noncurrent liability			
Refundable advance, net		209,688	275,569
Total liabilities		914,588	727,738
Net assets			
Unrestricted		3,874,768	3,080,027
Temporarily restricted		377,426	223,470
Total net assets		4,252,194	3,303,497
Total liabilities and net assets	\$	5,166,782	\$ 4,031,235

See notes to financial statements.

University Muslim Medical Association, Inc.
Statement of Activities
Year ended December 31, 2016

	Unrestricted	Temporarily Restricted	Total
Revenues and support			
Patient services, net of contractual allowances	\$ 3,188,955	\$ -	\$ 3,188,955
Provision for doubtful accounts	(15,625)	-	(15,625)
Net patient service revenue	3,173,330	-	3,173,330
Government grants and contracts	2,264,939	-	2,264,939
Contributions and other support	624,029	407,801	1,031,830
In-kind contributions	141,014	-	141,014
Other income	674,503	-	674,503
Net assets released from restrictions	253,845	(253,845)	-
Total revenues and support	7,131,660	153,956	7,285,616
Expenses			
Program services	5,180,909	-	5,180,909
Supporting services			
Management and general	682,502	-	682,502
Fundraising	473,508	-	473,508
Total expenses	6,336,919	-	6,336,919
Change in net assets	794,741	153,956	948,697
Net assets			
Beginning of year	3,080,027	223,470	3,303,497
End of year	\$ 3,874,768	\$ 377,426	\$ 4,252,194

See notes to financial statements.

University Muslim Medical Association, Inc.
Statement of Activities
Year Ended December 31, 2015

	Unrestricted	Temporarily Restricted	Total
Revenues and support			
Patient services, net of contractual allowances	\$ 2,933,047	\$ -	\$ 2,933,047
Provision for doubtful accounts	<u>(24,861)</u>	<u>-</u>	<u>(24,861)</u>
Net patient service revenue	2,908,186	-	2,908,186
Government grants and contracts	2,214,689	-	2,214,689
Contributions and other support	555,245	389,497	944,742
In-kind contributions	144,866	-	144,866
Other income	114,394	-	114,394
Net assets released from restrictions	<u>645,073</u>	<u>(645,073)</u>	<u>-</u>
Total revenues and support	<u>6,582,453</u>	<u>(255,576)</u>	<u>6,326,877</u>
Expenses			
Program services	4,948,892	-	4,948,892
Supporting services			
Management and general	584,398	-	584,398
Fundraising	<u>316,618</u>	<u>-</u>	<u>316,618</u>
Total expenses	<u>5,849,908</u>	<u>-</u>	<u>5,849,908</u>
Change in net assets	732,545	(255,576)	476,969
Net assets			
Beginning of year	<u>2,347,482</u>	<u>479,046</u>	<u>2,826,528</u>
End of year	<u><u>\$ 3,080,027</u></u>	<u><u>\$ 223,470</u></u>	<u><u>\$ 3,303,497</u></u>

See notes to financial statements.

University Muslim Medical Association, Inc.
Statements of Cash Flows

	Years ended December 31	
	2016	2015
Cash flows from operating activities		
Change in net assets	\$ 948,697	\$ 476,969
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	75,853	86,713
Provision for doubtful accounts	15,625	24,861
Donated property and equipment	(65,881)	(63,816)
Decrease (increase) in operating assets:		
Patient fees receivable	(79,156)	128,370
Third-party settlements receivable	224,067	32,842
Grants and contracts receivable	(44,258)	212,877
Pledges receivable	-	1,414
Prepaid expenses	1,493	15,876
Increase (decrease) in operating liabilities:		
Accounts payable	(56,577)	43,554
Accrued compensation	199,409	(79,480)
Third-party settlements payable	109,899	82,420
Unearned revenue	-	(123,713)
Net cash provided by operating activities	1,329,171	838,887
Cash flows from investing activities		
Purchase of property and equipment	(57,235)	-
Change in cash and cash equivalents	1,271,936	838,887
Cash and cash equivalents - beginning of year	1,442,256	603,369
Cash and cash equivalents - end of year	\$ 2,714,192	\$ 1,442,256

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 activities and changes in net assets as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contribution 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, 2016 and 2015.

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 revenues and expenses during the reporting period. Actual results could differ from those estimates. The use of estimates and assumptions in the preparation of the financial statements is related primarily to the determination for allowance for doubtful accounts in the calculation of net patient services receivable, estimated third-party payer settlement receivable, and useful lives of property and equipment.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

UMMA considers all unrestricted highly liquid investments purchased with an initial maturity of three months or less to be cash equivalents.

Patient Fees Receivable

UMMA's primary source of cash for operations comes from the collection of receivables from third party payors. These include Medi-Cal fee-for-service from the State of California Department of Health Care Services (DHCS), and My Health LA from Los Angeles County Department of Health Services (LACDHS), Managed Care and Medicare contracts. The collections are critical to UMMA's operating performance. Such receivables are carried at a net amount determined by the original charge for a service provided, less estimates 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 made under UMMA's charity policy, and application of sliding-fee discounts. Management determines the allowance for doubtful receivables by identifying troubled accounts and providing a valuation allowance on the aging of receivables based on historical experience. UMMA considers accounts as past due when they are outstanding beyond 90 days with no payment. UMMA does not charge interest on past due accounts. Past due accounts are written off from the receivables when deemed uncollectable. Recoveries of amounts previously written off are recorded as a reduction of doubtful accounts expense when received. As of December 31, 2016 and 2015, the allowance for doubtful accounts amount to \$87,938 and \$28,862, respectively. The increase in the allowance for doubtful accounts is primarily due to the increase in Fee-for-Service reimbursements and increase in capitation Per-Member-Per-Month payments.

Services may be performed for patients from 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 is 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 3 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 shorter. UMMA capitalizes all purchases of property and equipment in excess of \$2,000.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment (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.

Impairment of Long-lived Assets

UMMA reviews carrying values of its property and equipment for possible impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the asset to future net cash flows, undiscounted and without interest, expected to be generated by the asset. If such asset is considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the asset exceeds the fair value of the asset. UMMA believes that no events occurred that would impair the carrying value of its long-lived assets during the years ended December 31, 2016 and 2015.

Patient Services Revenue

UMMA has agreements with various third party payors to provide services to patients. Payments vary between the third party payors and differ from UMMA's established rates. Payment arrangements include pre-determined fee schedules and discounted charges. Service fees are reported as the estimated net realizable amount from patients and third party payors. There will be retroactive adjustments under reimbursement agreements with third party payors. These adjustments are accrued on an estimated basis. They are adjusted in future periods in accordance with determined final settlements, which reflect the uncertainty in government policies and regulations. UMMA's largest payors include the DHCS Medi-Cal and My Health LA programs. The laws and regulations governing these programs are complex and subject to interpretation. Compliance with such laws and regulations can be subject to review and interpretation in the future 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 and family size to arrive at self-pay net revenue.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Estimated Third-party Payor Settlements

UMMA is recognized as a Federally Qualified Health Center (FQHC), therefore is required to file annually an FQHC Medi-Cal reconciliation report with the State of California Department of Health Care Services. This arrangement provides for interim reimbursement that is subject to retroactive adjustments and settlements. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period in which services are rendered, and adjusted in future periods as final settlements are determined.

Grants and Contracts Revenue

Revenue from cost reimbursable grants and contracts is recorded to the extent of expenses incurred applicable to the grants or contracts. Any difference between expenses incurred and the total funds received (not to exceed the grant or contract maximum) is recorded as a receivable or unearned revenue whichever is applicable. Revenue from other grants is recognized on an accrual basis as earned according to the provisions of the grant.

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.

In-kind Contributions

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.

Functional Allocation of Expenses

Costs for providing UMMA's programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and the supporting services benefited by a method that best measures the relative degree of benefit.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

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 evaluated its tax positions and the certainty as to whether those positions will be sustained in the event of any audit by taxing authorities at the federal and state levels. The primary tax positions evaluated relate to UMMA's continued qualification as a tax-exempt organization and whether there are unrelated business income activities that would be taxable. Management has determined that all income tax positions will more likely than not be sustained upon potential audit or examination; therefore, no disclosures of uncertain income tax positions are required.

UMMA's income tax returns remain subject to examination for all tax years ended on or after December 31, 2012 with regard to all tax positions and results reported.

NOTE 3 PATIENT FEES RECEIVABLE AND REVENUES

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

	2016	2015
County of Los Angeles Health Programs	\$ 37,385	\$ 50,656
Medicare	63,194	21,279
Managed Care	75,545	55,944
Family Pact	20,093	14,492
Medi-Cal	114,725	70,076
Others	36,630	12,518
	347,572	224,965
Less allowance for doubtful accounts	87,938	28,862
	\$ 259,634	\$ 196,103

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:

NOTE 3 PATIENT FEES RECEIVABLE AND REVENUES (CONTINUED)

Other Third-party and Managed Care

UMMA has reimbursement agreements with certain non-medical, Insurance carriers and Managed Care HMO. The basis for payment under these agreements includes discounts from established charges and prospectively determined fee-for-service rates. For the years ended December 31, 2016 and 2015, the combined LA County, and My Health LA contracts represented approximately 16% and 17%, respectively, and managed care represents 68% and 64%, respectively, of net patient services revenue.

Medi-Cal

UMMA is paid for patient services rendered to Medi-Cal program beneficiaries primarily under contractual arrangements with third party Managed Care organizations. Additional wrap for the gap between the capitation fee paid by Managed Care and UMMA's Prospective Payment System (PPS) rate is paid by the State of California Department of Health Care Services as fee-for-service on a per visit basis.

For the years ended December 31, 2016 and 2015, UMMA recognized approximately 15% and 14%, respectively, of net patient services revenue from services provided to Medi-Cal managed care patients.

Medicare and Medi-Cal laws and regulations are complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by material amounts in the future. UMMA believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatening investigations involving wrongdoing. While no such regulatory inquiries have been made, compliance can be subject to future government review and regulatory action, including fines, penalties, and exclusions from the State and County programs.

NOTE 4 THIRD-PARTY SETTLEMENTS

Third-party settlements receivable and payable balances represent the amounts due from / due to the County of Los Angeles based on the annual Medi-Cal FQHC reconciliation reports submitted to the California Department of Health Care Services. As of December 31, 2016 and 2015, receivable balances amounted to \$194,971 and \$419,038, respectively, while the payable balance amounted to \$269,304 and \$159,405, respectively.

University Muslim Medical Association, Inc.
Notes to Financial Statements
Years ended December 31, 2016 and 2015

NOTE 5 GRANTS AND CONTRACTS RECEIVABLE

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

	<u>2016</u>	<u>2015</u>
LA Care Health Plan	\$ 150,000	\$ -
County of Los Angeles Department of of Mental Health	111,130	91,580
Department of Health and Human Services	22,521	5,415
LA Educational Grant	11,760	
California Community Foundation	10,000	10,000
Community Health Council, Inc	-	26,438
Kaiser Foundation Hospital, West Los Angeles	-	10,000
Los Angeles County Department of Health Services	-	6,208
Los Angeles Educational Partnership	-	20,512
Public Health Institute	-	3,500
The Californnia Endowment	-	87,500
	<u>\$ 305,411</u>	<u>\$ 261,153</u>

NOTE 6 PROPERTY AND EQUIPMENT

Property and equipment at December 31 is composed of:

	<u>2016</u>	<u>2015</u>
Land	\$ 656,000	\$ 656,000
Buildings and improvements	999,206	971,707
Furniture and equipment	669,924	669,924
Leasehold improvements	28,078	28,078
Construction-in-progress	29,736	-
	<u>2,382,944</u>	<u>2,325,709</u>
Less accumulated depreciation and amortization	<u>780,304</u>	<u>704,451</u>
	<u>\$ 1,602,640</u>	<u>\$ 1,621,258</u>

NOTE 7 REFUNDABLE ADVANCE

Refundable advance consists of the following at December 31:

	<u>2016</u>	<u>2015</u>
Credit obligation service (Note 8)	\$ 275,569	\$ 339,385
Amortization (Note 8)	(65,881)	(63,816)
	<u>\$ 209,688</u>	<u>\$ 275,569</u>

University Muslim Medical Association, Inc.
Notes to Financial Statements
Years ended December 31, 2016 and 2015

NOTE 8 IN-KIND CONTRIBUTIONS

In-kind contributions consist of the following for the years ended December 31:

	2016	2015
Pharmaceuticals	\$ 69,526	\$ 72,912
Donated property	65,881	63,816
Donated services	5,607	8,138
	\$ 141,014	\$ 144,866

On March 23, 2009, UMMA entered into an agreement with the Community Redevelopment Corporation of Los Angeles (CRCLA) to receive property from CRCLA 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, 2016 and 2015, the gross credit obligation service amounted to \$275,569 and \$339,385, respectively; and the amortized portion, which represents the donated property/land, amounted to \$65,881 and \$63,816, respectively. (See Note 7)

NOTE 9 LINE OF CREDIT

In August 2014, UMMA entered into a line of credit agreement with a local bank which provides for borrowings up to \$250,000, at annual interest rate equal to the Wall Street Journal Prime Rate plus 3%. The line of credit agreement did not specify any expiration date. There were no drawings from the line of credit in calendar years 2015 and 2016.

NOTE 10 TEMPORARILY RESTRICTED NET ASSETS

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

	Balance 2015	Net Asset		Balance 2016
		Additions	Releases	
California Endowment Foundation	\$ 131,088	\$ -	\$ 120,362	\$ 10,726
Kaiser Foundation Hospital, West LA	14,904	-	14,904	-
LA Trust for Children's Health	20,533	-	20,533	-
Zakat	56,945	123,055	95,846	84,154
California Community Foundation	-	90,746	-	90,746
Center for Care Innovations	-	15,000	-	15,000
Crail-Johnson Foundation	-	20,000	-	20,000
F-Cancer Foundation	-	9,000	2,200	6,800
LA Care Health Plan	-	150,000	-	150,000
	\$ 223,470	\$ 407,801	\$ 253,845	\$ 377,426

University Muslim Medical Association, Inc.
Notes to Financial Statements
Years ended December 31, 2016 and 2015

NOTE 11 CONTRIBUTIONS AND OTHER SUPPORT

For the years ended December 31, 2016 and 2015, UMMA recognized revenue under the following contracts and grants:

	2016	2015
Blue Shield of California Foundation	\$ -	\$ 110,193
California Community Foundation	90,746	10,000
California Hospital Medical Foundation	40,000	10,000
Chicago Community Foundation	-	9,000
Contributions gifts and other grants	516,687	352,175
Crail Johnson Foundation	20,000	-
Islamic Relief USA	-	50,000
Kaiser Permanente	-	20,000
LA Care Health Plan	150,000	-
LA County DHSS	29,660	54,801
Los Angeles Education Partnership	61,682	54,269
Los Angeles Trust for Children's Health	-	21,500
The California Endowment	-	175,000
Wells Fargo Foundation	-	5,000
Zakat	123,055	72,804
	\$ 1,031,830	\$ 944,742

NOTE 12 OPERATING LEASES

UMMA has entered into certain operating leases for facility spaces and office equipment which expire through October 2019. Minimum commitments under the various operating lease agreements having an initial or remaining non-cancelable term of more than one year are as follows:

Year ending December 31,	Amount
2017	\$ 115,617
2018	38,844
2019	32,370
Total	\$ 186,831

Total rent expense for the facilities amounted to \$133,951 and \$128,149, for the years ended December 31, 2016 and 2015, respectively.

NOTE 13 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, 2016 and 2015 amounted to approximately \$222,500 and \$190,000, respectively.

NOTE 14 CONTINGENCIES

Contracted Services

UMMA contracts with other agencies to perform certain healthcare services and receives Medi-Cal fee-for-service from DHCS, Healthy Way L.A and My Health LA from LACDHS, Managed Care and Medicare contracts. 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.

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 is not aware of any pending claims that exceed the limitations provided by this coverage.

NOTE 15 CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject UMMA to concentrations of credit risk consist principally of cash and cash equivalents, revenues and accounts receivable.

Cash and Cash Equivalents

UMMA maintains its cash and cash equivalents balances in financial institutions. These balances, at times, may exceed federally insured limits. UMMA had approximately \$2,324,000 and \$1,020,000 in cash that exceeded the federally insured limits as of December 31, 2016 and 2015, respectively, and therefore is exposed to significant concentration of credit risk.

Revenues and Accounts Receivable

A substantial portion of UMMA's revenues is derived from patient service revenue under the Medi-Cal fee-for-service from DHCS, and My Health LA from LACDHS, Managed Care and Medicare contracts and from programs with U.S Department of Health and Human Services. For the years ended December 31, 2016 and 2015, revenues from these programs accounted for approximately the following percentages of UMMA's total revenue:

	<u>2016</u>	<u>2015</u>
Medi-Cal	7%	6%
Medicare	1%	2%
Managed Care	31%	29%
Los Angeles County	7%	8%
U.S. Department of Health and Human Services	31%	27%
Other third-party payor	1%	1%

At December 31, 2016 and 2015, receivables from these programs accounted for approximately the following percentages of UMMA's total net receivable:

	<u>2016</u>	<u>2015</u>
Medi-Cal	15%	8%
Medicare	7%	2%
Managed Care	10%	6%
Los Angeles County	5%	6%
Family Pact	3%	2%
Others	6%	1%

NOTE 16 SUBSEQUENT EVENTS

UMMA has evaluated events subsequent to December 31, 2016 to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through June 7, 2017, 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.

SUPPLEMENTAL SCHEDULES

University Muslim Medical Association, Inc.
Schedule of Functional Expenses
Year ended December 31, 2016

	Program Services	Management and General	Fundraising	Total
Personnel expenses				
Salaries and wages	\$ 2,590,244	\$ 147,165	\$ 207,277	\$ 2,944,686
Payroll taxes and benefits	<u>492,677</u>	<u>50,531</u>	<u>35,960</u>	<u>579,168</u>
Total personnel expenses	3,082,921	197,696	243,237	3,523,854
Other expenses				
Consultant and contractual services	971,382	125,771	28,736	1,125,889
Maintenance and service agreement	258,664	43,948	4,704	307,316
Consumable supplies	268,942	13,111	1,233	283,286
Lease space and equipment	110,213	131,193	251	241,657
Telephone	128,107	55,126	2,824	186,057
Fundraising events	-	-	115,297	115,297
Zakat donations	95,846	-	-	95,846
Depreciation and amortization	67,068	8,683	102	75,853
Donated goods and services	75,132	-	-	75,132
Insurance	63,693	3,301	-	66,994
Public relations and promotions	21,192	2,244	34,285	57,721
Dues and subscriptions	7,730	25,108	6,486	39,324
Professional fees	-	36,543	-	36,543
Travel, conferences and meetings	7,199	18,054	8,417	33,670
Printing, publications and postage	4,285	5,177	10,598	20,060
Staff development and recruitment	10,823	7,928	1,241	19,992
Miscellaneous	<u>7,712</u>	<u>8,619</u>	<u>16,097</u>	<u>32,428</u>
Total	\$ <u><u>5,180,909</u></u>	\$ <u><u>682,502</u></u>	\$ <u><u>473,508</u></u>	\$ <u><u>6,336,919</u></u>

See report of independent auditors.

University Muslim Medical Association, Inc.
Schedule of Functional Expenses
Year ended December 31, 2015

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Personnel expenses				
Salaries and wages	\$ 2,246,222	\$ 104,797	\$ 177,847	\$ 2,528,866
Payroll taxes and benefits	<u>361,325</u>	<u>48,446</u>	<u>34,755</u>	<u>444,526</u>
Total personnel expenses	2,607,547	153,243	212,602	2,973,392
Other expenses				
Consultant and contractual services	1,379,625	105,028	11,379	1,496,032
Maintenance and service agreement	197,346	39,686	1,569	238,601
Consumable supplies	186,099	19,723	486	206,308
Lease space and equipment	99,144	106,165	-	205,309
Donated goods and services	80,903	-	-	80,903
Telephone	94,851	56,984	502	152,337
Depreciation and amortization	74,937	11,162	614	86,713
Zakat donations	88,807	-	-	88,807
Insurance	70,673	8,757	-	79,430
Public relations and promotions	24,376	475	13,960	38,811
Dues and subscriptions	10,655	20,137	6,850	37,642
Printing, publications and postage	8,330	10,415	26,564	45,309
Travel, conferences and meetings	13,512	9,966	6,527	30,005
Professional fees	-	33,751	-	33,751
Fundraising events	-	-	30,779	30,779
Staff development and recruitment	10,795	7,325	518	18,638
Miscellaneous	<u>1,292</u>	<u>1,581</u>	<u>4,268</u>	<u>7,141</u>
Total	\$ <u><u>4,948,892</u></u>	\$ <u><u>584,398</u></u>	\$ <u><u>316,618</u></u>	\$ <u><u>5,849,908</u></u>

See report of independent auditors.

**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), a California not-for-profit corporation, which comprise the statement of financial position as of December 31, 2016, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 7, 2017.

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 opinion 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. 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 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.

Los Angeles, California

June 7, 2017



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