

**University Muslim Medical Association, Inc.**  
**Audited Financial Statements**  
***Years ended December 31, 2012 and 2011***  
***with Report of Independent Auditors***

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<b>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</b>	18

## **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, 2012 and the related statement of operations and changes in net assets and cash flows for the year then ended, and the related notes to the financial statements.

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

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

### **Auditor 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, 2012, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matter**

The financial statements of UMMA as of December 31, 2011, were audited by other auditors whose report dated September 28, 2012, expressed an unmodified opinion on those statements.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated June 20, 2013 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.

*Vargus + Company LLP*

**Los Angeles, California**  
**June 20, 2013**

**University Muslim Medical Association, Inc.**  
**Statements of Financial Position**

		<b>December 31,</b>	
		<b>2012</b>	<b>2011</b>
<b>ASSETS</b>			
<b>Current assets</b>			
Cash	\$	<b>1,526,343</b>	\$ 1,102,359
Patient fees receivable, net of allowance for doubtful accounts of \$37,178 (2012) and \$9,000 (2011)		<b>262,852</b>	193,796
Third-party settlements receivable		<b>115,597</b>	119,406
Grants and contract receivables		<b>56,366</b>	63,539
Pledges receivable		-	55,000
Prepaid expenses		<b>74,457</b>	43,358
<b>Total current assets</b>		<b>2,035,615</b>	1,577,458
<b>Noncurrent assets</b>			
Property and equipment, net of accumulated depreciation of \$398,517 (2012) and \$339,781 (2011)		<b>1,767,087</b>	1,773,973
Other assets		<b>17,200</b>	2,600
<b>Total assets</b>	<b>\$</b>	<b>3,819,902</b>	\$ 3,354,031
<b>LIABILITIES AND NET ASSETS</b>			
<b>Current liabilities</b>			
Accounts payable	\$	<b>106,347</b>	\$ 70,602
Accrued compensation		<b>122,818</b>	151,740
<b>Total current liabilities</b>		<b>229,165</b>	222,342
<b>Noncurrent liabilities</b>			
Refundable advance		<b>531,942</b>	623,948
<b>Total liabilities</b>		<b>761,107</b>	846,290
<b>Net assets</b>			
Unrestricted		<b>2,230,177</b>	1,856,468
Temporarily restricted		<b>828,618</b>	651,273
<b>Total net assets</b>		<b>3,058,795</b>	2,507,741
<b>Total liabilities and net assets</b>	<b>\$</b>	<b>3,819,902</b>	\$ 3,354,031

*See notes to financial statements.*

**University Muslim Medical Association, Inc.**  
**Statement of Operations and Changes in Net Assets**  
**Year Ended December 31, 2012**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>Revenues and support</b>			
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 and gift -in-kind	212,916	-	212,916
Other	43,485	-	43,485
Net assets released from restrictions	714,092	(714,092)	-
<b>Total revenues and support</b>	<u>4,552,950</u>	<u>177,345</u>	<u>4,730,295</u>
<b>Expenses</b>			
Salaries and wages	1,894,092	-	1,894,092
Consultants and contractual services	635,414	-	635,414
Fringe benefits	318,434	-	318,434
Donated goods and services	212,916	-	212,916
Consumable supplies	203,499	-	203,499
Repairs and maintenance	228,025	-	228,025
Other	47,361	-	47,361
Fundraising events	37,177	-	37,177
Public relations and promotions	156,157	-	156,157
Professional fees	39,249	-	39,249
Depreciation	58,736	-	58,736
Space costs	118,447	-	118,447
Telephone	77,239	-	77,239
Staff development	102,424	-	102,424
Printing, publications and postage	16,230	-	16,230
Insurance	57,324	-	57,324
Dues and subscriptions	16,958	-	16,958
Provision of bad debt	29,741	-	29,741
Travel,conferences and meetings	21,824	-	21,824
<b>Total expenses</b>	<u>4,271,247</u>	<u>-</u>	<u>4,271,247</u>
<b>Excess of revenues and support over expenses</b>	281,703	177,345	459,048
<b>Nonoperating revenue:</b>			
Donated equipment	92,006	-	92,006
Change in net assets	373,709	177,345	551,054
<b>Net assets</b>			
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.**  
**Statement of Operations and Changes in Net Assets**  
**Year Ended December 31, 2011**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>Revenues and support</b>			
Patient services, net	\$ 1,599,070	\$ -	\$ 1,599,070
DHHS grants	560,670	-	560,670
Contract services-County of Los Angeles Department of Health	270,912	-	270,912
Grants and contributions	997,922	639,979	1,637,901
Donated services and gift -in-kind	217,596	-	217,596
Other	18,918	-	18,918
Net assets released from restrictions	295,756	(429,456)	(133,700)
<b>Total revenues and support</b>	<u>3,960,844</u>	<u>210,523</u>	<u>4,171,367</u>
<b>Expenses</b>			
Salaries and wages	1,703,945	-	1,703,945
Consultants and contractual services	334,179	-	334,179
Fringe benefits	321,295	-	321,295
Donated goods and services	217,596	-	217,596
Consumable supplies	166,327	-	166,327
Repairs and maintenance	146,719	-	146,719
Other	10,820	-	10,820
Fundraising events	197,309	-	197,309
Public relations and promotions	169,053	-	169,053
Professional fees	38,164	-	38,164
Depreciation	80,093	-	80,093
Space costs	57,688	-	57,688
Telephone	45,967	-	45,967
Staff development	24,083	-	24,083
Printing, publications and postage	18,822	-	18,822
Insurance	44,635	-	44,635
Dues and subscriptions	17,396	-	17,396
Provision of bad debt	13,290	-	13,290
Travel, conferences and meetings	20,885	-	20,885
<b>Total expenses</b>	<u>3,628,266</u>	<u>-</u>	<u>3,628,266</u>
<b>Excess of revenues and support over expenses</b>	332,578	210,523	543,101
<b>Nonoperating revenue:</b>			
Donated equipment	89,324	-	89,324
Net assets released from restrictions-capital expenditures	133,700	-	133,700
<b>Increase in nonoperating revenue</b>	<u>223,024</u>	<u>-</u>	<u>223,024</u>
Change in net assets	555,602	210,523	766,125
<b>Net assets</b>			
Beginning of year	1,300,866	440,750	1,741,616
End of year	<u>\$ 1,856,468</u>	<u>\$ 651,273</u>	<u>\$ 2,507,741</u>

See notes to financial statements.

**University Muslim Medical Association, Inc.**  
**Statements of Cash Flows**

	Years ended December 31,	
	2012	2011
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 551,054	\$ 766,125
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	58,736	80,093
Increase in provision for bad debt	28,178	9,000
Donated property, plant and equipment	(92,006)	(89,324)
Contributions for capital expenditures	-	(133,700)
Decrease (increase) in assets:		
Patient fees receivable	(97,233)	(118,868)
Third-party settlements receivable	3,809	(119,406)
Grants and contracts receivable	7,173	75,781
DHHS receivable	-	29,248
Pledges receivable	55,000	(55,000)
Prepaid expenses	(31,099)	(7,362)
Other assets	(14,600)	-
Increase (decrease) in liabilities:		
Accounts payable	35,745	1,633
Accrued compensation	(28,922)	16,547
<b>Net cash provided by operating activities</b>	<b>475,835</b>	<b>454,767</b>
<b>Cash flows from investing activities</b>		
Purchase of property and equipment	(51,851)	(420,252)
<b>Cash flows from financing activities</b>		
Cash received from grants for capital expenditures	-	133,700
<b>Net increase in cash</b>	<b>423,984</b>	<b>168,215</b>
<b>Cash - beginning of year</b>	<b>1,102,359</b>	<b>934,144</b>
<b>Cash - end of year</b>	<b>\$ 1,526,343</b>	<b>\$ 1,102,359</b>

*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, 2012 and 2011.

**Results of Operations**

The statements of operations and changes in net assets include the excess (deficit) of revenue and support over expenses that represent the results of operations. Changes in unrestricted net assets, which are excluded from excess of revenue and support over expenses, consistent with industry practice, include contributions of long-lived assets (including assets acquired using contributions that, by donor restriction, were to be used for the purpose of acquiring such assets).

**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,

**NOTE 2      SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

allowance for doubtful pledges receivable and estimated third-party payor settlement payable or receivable.

**Cash**

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.

**Patient Services 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 is 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, 2012 and 2011, the allowance for doubtful accounts amounts to \$37,178 and \$9,000 respectively. Increase in allowance during 2012 is due to change in estimation process by management.

**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.

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.

**NOTE 2      SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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 payers 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 payers and others for services rendered, including retroactive adjustments under reimbursement agreements with third-party payers, 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.

**Grant 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.

**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

**NOTE 2      SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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 nonoperating 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, 2012 and 2011, UMMA had no material unrecognized tax benefits, tax penalties or interest.

**Reclassifications**

Certain reclassifications have been made to the 2011 financial data to conform to the 2012 presentation.

**NOTE 3 PATIENTS RECEIVABLE AND REVENUE**

At December 31, patient receivable consist of the following:

	<u>2012</u>	<u>2011</u>
County of Los Angeles Health Programs	\$ 168,616	\$ 79,677
Managed care	50,026	33,099
Family Pact	12,895	13,605
Queens Care	5,090	2,914
Medical	61,145	65,379
Others	<u>2,258</u>	<u>8,122</u>
	300,030	202,796
Less allowance for doubtful accounts	<u>37,178</u>	<u>9,000</u>
	<u>\$ 262,852</u>	<u>\$ 193,796</u>

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, 2012 and 2011, 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.

For the years ended December 31, 2012 and 2011, 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

**NOTE 3 PATIENTS RECEIVABLE AND REVENUE (CONTINUED)**

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 consist of the following at December 31:

	2012	2011
Medi-Cal/ FQHC reconciliation reports	\$ <u>115,597</u>	\$ <u>119,406</u>

**NOTE 5 GRANTS AND CONTRIBUTIONS RECEIVABLE**

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

	2012	2011
County of Los Angeles Department of Mental Health	\$ 56,366	\$ 32,289
California Community Foundation	-	31,250
	\$ <u>56,366</u>	\$ <u>63,539</u>

**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:

	2012	2011
Due in one year or less	\$ -	\$ 55,000
Due after one year through three years	-	45,000
Total pledges receivable	-	100,000
Less allowance for doubtful pledges	-	45,000
	\$ <u>-</u>	\$ <u>55,000</u>

**University Muslim Medical Association, Inc.**  
**Notes to Financial Statements**  
**Years ended December 31, 2012 and 2011**

**NOTE 7      PROPERTY AND EQUIPMENT**

Property and equipment at December 31 are composed of:

	2012	2011
Land	\$ 656,000	\$ 656,000
Buildings and improvements	961,659	961,659
Furniture and equipment	531,867	453,530
Leasehold improvements	16,078	42,565
	2,165,604	2,113,754
Less accumulated depreciation	398,517	339,781
	\$ 1,767,087	\$ 1,773,973

**NOTE 8      REFUNDABLE ADVANCE**

Refundable advances consist of the following at December 31:

	2012	2011
Credit service obligation	\$ 623,948	\$ 713,272
Amortization	(92,006)	(89,324)
	\$ 531,942	\$ 623,948

**NOTE 9      TEMPORARILY RESRICTED NET ASSETS**

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

	Balance		Net Asset		Net Assets		Balance
	December 31,		Additions		Released		December 31,
	2011						2012
California Wellness Foundation	\$ 58,333	\$	203,291	\$	139,166	\$	122,458
California Endowment Foundation	230,000		91,451		263,931		57,520
California Community Foundation	81,250		125,000		140,417		65,833
Crail-Johnson Foundation	25,000		25,000		27,082		22,918
Zakat	22,120		36,301		5,495		52,926
Pillars of Tolerance Project	33,826		-		-		33,826
L.A. Care Health Plan	75,000		10,000		37,104		47,896
Blue Shield of California	-		20,000		6,667		13,333
Kaiser Permanente	-		169,000		13,167		155,833
Margic Johnson Foundation	-		10,000		-		10,000
The Ahmanson Foundation	-		41,100		22,575		18,525
South Side Coalition of CHC	7,744		7,744		15,488		-
Pledges Receivable	55,000		(25,000)		30,000		-
Fremont	50,000		-		-		50,000
Los Angeles Trust for Children Health	1,000		-		1,000		-
Florence Expansion Project	10,000		-		10,000		-
Kids Corner	2,000		-		2,000		-
Individual donations-Fremont High School	-		177,550		-		177,550
	\$ 651,273	\$	891,437	\$	714,092	\$	828,618

**University Muslim Medical Association, Inc.**  
**Notes to Financial Statements**  
**Years ended December 31, 2012 and 2011**

**NOTE 10 DONATED EQUIPMENT AND SERVICES**

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

		<u>2012</u>		<u>2011</u>
Parmaceuticals	\$	211,096	\$	211,626
Donated services		<u>1,820</u>		<u>5,980</u>
	\$	<u><u>212,916</u></u>	\$	<u><u>217,606</u></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, 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. For the years ended December 31, 2012 and 2011 donated equipment amounts to \$92,006 and \$89,324 respectively.

**NOTE 11 GRANTS AND CONTRIBUTIONS**

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

		<u>2012</u>		<u>2011</u>
Contribution gifts and other grants	\$	655,635	\$	1,018,666
Zakat		36,301		25,902
LA Care Health Plan		10,000		125,000
California Community Foundation		125,000		50,000
The California Endowment		91,451		230,000
California Wellness Foundation		203,291		58,333
Pledges receivable		-		55,000
Fereshteh Amin		-		50,000
Crail Johnson Foundation		25,000		25,000
Ahmanson Foundation		41,100		-
Margic Johnson Foundation		10,000		-
Southside Coalition		7,744		-
Blue Sheild of California		20,000		-
Kaiser Permanete		169,000		-
	\$	<u><u>1,394,522</u></u>	\$	<u><u>1,637,901</u></u>

**NOTE 12 FUNCTIONAL EXPENSES**

Expenses were incurred and allocated as follows for the years ended December 31:

		<u>2012</u>		<u>2011</u>
Program services	\$	2,965,936	\$	2,382,027
General and administrative		862,398		750,471
Fundraising		<u>442,913</u>		<u>495,768</u>
	\$	<u><u>4,271,247</u></u>	\$	<u><u>3,628,266</u></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
	\$	504,355

Total rent expense for the facility and equipment amounted to \$96,854 and \$42,719, respectively, for the year ended December 31, 2012 and 2011.

**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, 2012 and 2011 amounted approximately to \$76,000 and \$46,000, 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.

**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.

**NOTE 15 CONTIGENCIES (CONTINUED)**

**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, 2012 and 2011, revenues from these programs accounted for approximately the following percentages of the UMMA's total revenue:

	2012	2011
Medi-Cal	12%	11%
Managed Care	17%	12%
Los Angeles County PPP /HWLA	20%	13%
US Department of Health	12%	13%

At December 31, 2012 and 2011, receivables from these programs accounted for approximately the following percentages of UMMA's total net receivable:

	2012	2011
Medi-Cal	27%	43%
Managed Care	12%	16%
Los Angeles County PPP /HWLA	33%	39%
Other third-party payor	15%	2%

**NOTE 17      SUBSEQUENT EVENTS**

UMMA has evaluated events subsequent to December 31, 2012 to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through June 20, 2013, 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.

**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, 2012, and the related notes to the financial statements, which comprise UMMA's basic financial statements, and have issued our report thereon dated June 20, 2013.

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**  
**June 20, 2013**

