

CENTERING HEALTHCARE INSTITUTE, INC.

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

**CENTERING HEALTHCARE INSTITUTE, INC.
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YEAR ENDED DECEMBER 31, 2015**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Centering Healthcare Institute, Inc.
Boston, Massachusetts

We have audited the accompanying financial statements of Centering Healthcare Institute, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2015, and the related statements of activities, functional expenses, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 auditors' 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.

Board of Directors
Centering Healthcare Institute, Inc.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Centering Healthcare Institute, Inc. as of December 31, 2015, 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.

Correction of Error

As described in Note 8 to the financial statements, the beginning balance in deferred revenue and net assets have been restated to reflect the proper accounting treatment of the program service income. Our opinion is not modified with respect to that matter.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Boston, Massachusetts
June 21, 2016

CENTERING HEALTHCARE INSTITUTE, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2015

ASSETS

CURRENT ASSETS

Cash	\$ 789,760
Accounts Receivable	41,058
Inventory	212,720
Prepaid Expenses	52,275
Total Current Assets	1,095,813

PROPERTY AND EQUIPMENT, NET

42,326

OTHER ASSETS

Trademark	15,025
Deposits	11,970
Total Other Assets	26,995

Total Assets	\$ 1,165,134
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LIABILITIES AND NET ASSETS (DEFICIT)

CURRENT LIABILITIES

Accounts Payable	\$ 83,026
Accrued Liabilities	51,227
Deferred Revenue	1,203,578
Total Current Liabilities	1,337,831

UNRESTRICTED NET ASSETS (DEFICIT)

(172,697)

Total Liabilities and Net Assets (Deficit)	\$ 1,165,134
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See accompanying Notes to Financial Statements.

**CENTERING HEALTHCARE INSTITUTE, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2015**

**UNRESTRICTED REVENUE AND SUPPORT
REVENUE**

Program Services	\$ 1,680,904
Sales of Materials, Net of Cost of Goods Sold of \$378,770	554,760
Membership Dues	102,761
Interest Income	7,395
Other Income, Net	16,615
Total Revenue	<u>2,362,435</u>

SUPPORT

Grant Revenue	317,861
Contributions	3,126
Total Support	<u>320,987</u>

Total Revenue and Support	2,683,422
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EXPENSES

Program Services	1,601,918
Supporting Services - Management and General	755,585
Total Expenses	<u>2,357,503</u>

INCOME FROM OPERATIONS, BEFORE DEPRECIATION AND AMORTIZATION	325,919
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DEPRECIATION AND AMORTIZATION	<u>(60,830)</u>
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CHANGE IN NET ASSETS	265,089
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Net Assets (Deficit) - Beginning of Year (Restated)	<u>(437,786)</u>
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NET ASSETS (DEFICIT) - END OF YEAR	<u><u>\$ (172,697)</u></u>
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See accompanying Notes to Financial Statements.

CENTERING HEALTHCARE INSTITUTE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2015

	Program Services	Management and General	Total
Salaries and Benefits	\$ 857,076	\$ 525,304	\$ 1,382,380
Workshop Expenses	44,344	-	44,344
Occupancy	50,707	25,353	76,060
Travel and Meetings	162,013	38,575	200,588
Computer Maintenance and Software	24,820	31,905	56,725
Supplies	246	6,680	6,926
Equipment and Furniture	-	7,138	7,138
Telephone	5,447	2,724	8,171
Bank Charges and Credit Card Fees	-	22,598	22,598
Insurance	1,968	6,386	8,354
Professional and Consulting Fees	358,770	45,741	404,511
Printing	1,673	2,620	4,293
Dues and Memberships	3,211	10,225	13,436
Postage and Shipping	-	1,956	1,956
Promotional and Marketing	61,337	19,724	81,061
Staff Development	30,306	6,281	36,587
Bad Debt Expense	-	1,875	1,875
Donations	-	500	500
Subtotal	<u>1,601,918</u>	<u>755,585</u>	<u>2,357,503</u>
Depreciation and Amortization	45,622	15,208	60,830
Total Expenses	<u><u>\$ 1,647,540</u></u>	<u><u>\$ 770,793</u></u>	<u><u>\$ 2,418,333</u></u>

See accompanying Notes to Financial Statements.

CENTERING HEALTHCARE INSTITUTE, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2015

CASH FLOWS FROM OPERATING ACTIVITIES

Change in Net Assets	\$	265,089
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation and Amortization		60,830
Provision for Bad Debts		1,875
(Increase) Decrease in Assets:		
Accounts Receivable		37,214
Prepaid Expenses		(32,207)
Inventory		(2,625)
Deposits		6,163
Increase (Decrease) in Liabilities:		
Accounts Payable		(34,937)
Accrued Liabilities		93
Deferred Revenue		216,147
Net Cash Provided by Operating Activities		517,642

NET INCREASE IN CASH 517,642

Cash - Beginning of Year 272,118

CASH - END OF YEAR \$ 789,760

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash Paid for Interest \$ 1,069

See accompanying Notes to Financial Statements.

CENTERING HEALTHCARE INSTITUTE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Centering Healthcare Institute, Inc.'s (CHI) mission is to improve maternal, child, and other health by transforming care through Centering groups. CHI provides expertise, training, and materials to clinical practice sites to start and sustain Centering group care practice.

Accounting Method

CHI prepares its financial statements in accordance with accounting principles generally accepted in the United States of America established by the Financial Accounting Standards Board (FASB). References to accounting principles generally accepted in the United States of America in these footnotes are to the FASB Accounting Standards Codification.

Net Assets

Net assets of CHI are classified and reported as follows:

Unrestricted - Unrestricted net assets represent available resources other than donor-restricted contributions. Included in unrestricted net assets are grants that may be earmarked for specific purposes.

Temporarily Restricted - Temporarily restricted net assets represent contributions that are restricted either as to purpose or as to time of expenditure. CHI has no temporarily restricted assets.

Permanently Restricted - Permanently restricted net assets represent contributions received with the donor restriction that the principal be invested in perpetuity and that only the income earned thereon will be available for operations. CHI has no permanently restricted assets.

Property and Equipment

Property and equipment additions in excess of \$5,000 are recorded at cost if purchased or at fair value at the date of donation if donated, less accumulated depreciation. Depreciation and amortization is computed using straight-line method over the estimated useful lives of the fixed assets. Office furniture and equipment is depreciated over its useful life of seven years. Computer software is amortized over its useful life of three years. Leasehold improvements are depreciated over the lesser of the useful life or the lease term.

CENTERING HEALTHCARE INSTITUTE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Income Taxes

CHI is a nonprofit corporation as described in Section 501(c)(3) of the Internal Revenue Code (IRC) and is exempt from federal and state income taxes on related income pursuant to Section 501(a) of IRC. CHI files as a tax-exempt organization.

Accounts Receivable

Accounts receivable are recorded net of an allowance of expected losses. The allowance is estimated from historical performance and projection of trends. Management considers all amounts to be fully collectible. Accordingly, no allowance for doubtful accounts has been established. Historically, interest has not been charged on delinquent accounts.

Inventory

Inventory consists of instructional and educational materials which are sold to support group care. The inventory is valued at cost, using the weighted-average method of accounting.

Trademark

CHI capitalizes costs incurred to develop its trademark. Consistent with professional standards, because the trademark is renewable indefinitely, such costs are not amortized.

Expense Allocations

Expenses related directly to a program are charged to that program, while other expenses are allocated based upon management's estimate of the percentage attributable to each program and administration activities.

Concentrations of Credit Risk

CHI maintains its cash balances in various financial institutions. The Federal Deposit Insurance Corporation (FDIC) insures balances at each bank up to certain amounts. At times during the year, cash balances may exceed the federally insured amounts. Certain financial institutions have additional insurance to cover depository amounts in addition to the FDIC insurance. CHI has not experienced any losses in such accounts and monitors the credit worthiness of the banks at which it conducts business and management does not believe it is exposed to any significant credit risk with respect to such cash balances.

CHI has accounts receivable from customers, with no collateral required, in the amount of \$41,058 at December 31, 2015, which are due within one year.

CENTERING HEALTHCARE INSTITUTE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America 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 and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition

Most program service fees are billed in advance and are paid at various times subsequent to billing. Accordingly, all billings are recorded as deferred revenue on the date of billing or receipt. Program service revenue is recognized as the services are rendered or at the end of contract period if all services have not been completed and any deposit has been forfeited, in accordance with the contract. Revenue from the sales of instructional materials is recognized upon delivery to customers. Revenue from annual institutional memberships or annual consulting contracts is recognized over the period in which the customer has the benefit of the consulting services or 12 months from the beginning of the membership period. Revenue received from grants awarded to CHI is recognized upon actual expenses incurred, in accordance with the grant agreement.

Contributions

CHI complies with the professional standards relating to *Accounting for Contributions Received and Contributions Made*. In accordance with the standards, contributions are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

Interest Income

Interest earned on money market funds is recorded as income on the accrual basis of accounting.

Shipping and Handling

Costs of shipping products to customers are included in cost of goods sold, which is presented net with sales of materials on the statement of activities.

Advertising

CHI records advertising and promotional expense as they are incurred. Total advertising and promotional expense for the year ended December 31, 2015 was \$81,061.

Subsequent Events

Subsequent events have been evaluated through June 21, 2016, which is the date the financial statements were available to be issued.

CENTERING HEALTHCARE INSTITUTE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 2 PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

Office Furniture and Equipment	\$ 39,685
Leasehold Improvements	2,230
Computer Software	281,532
Total Property and Equipment	323,447
Accumulated Depreciation	(281,121)
Net Property and Equipment	\$ 42,326

Depreciation and amortization expense for the year ended December 31, 2015 was \$60,830.

NOTE 3 DEFERRED REVENUE

At December 31, 2015, deferred revenue consists of advance payments from customers related to the following:

Sales of Materials	\$ 6,290
Memberships and Site License	46,663
Consulting Contracts	113,544
Future events and workshops	736,225
Grant Revenue	300,856
Total	\$ 1,203,578

NOTE 4 LEASES

CHI leases facilities under operating lease agreements that expire through 2016. Future minimum lease payments are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2016	\$ 15,465

Rent expense in 2015 was \$76,060.

CHI renewed the office lease in April 2016 for five years.

CENTERING HEALTHCARE INSTITUTE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 5 RETIREMENT PLAN

CHI maintains a contributory deferred salary reduction 403(b) plan for its employees. Employee contributions made to the plan are 100% vested. The plan allows for a discretionary employer match of 100%, up to 8% of employee compensation. Employer contributions to the plan were approximately \$70,600 in 2015.

NOTE 6 GRANT INCOME

CHI recognized grant income consisting of the following:

March of Dimes	\$ 48,550
Anthem	45,000
Kellogg	224,311
Total	<u>\$ 317,861</u>

NOTE 7 LINE OF CREDIT

CHI has an undrawn line of credit, payable on demand, with a bank, with a maximum borrowing capacity of \$100,000 and has an annual interest rate of 4%. The line of credit is secured by all assets of the CHI and automatically renews annually. CHI is subject to meeting financial and other covenants.

NOTE 8 CORRECTION OF ERROR

Unrestricted operating net assets have been restated as of December 31, 2014, for an adjustment to deferred revenue in order to account for payments received from customers which were not yet earned. The impact of this correction as of and for the year ended December 31, 2014 is as follows:

	As of and for the Year Ended December 31, 2014			
	Deferred Revenue	Total Liabilities	Change in Net Assets	Net Assets
Balance, as Previously Reported	\$ 244,908	\$ 414,005	\$ (95,758)	\$ 304,737
Correction of Error	742,523	742,523	(742,523)	(742,523)
Balance, Restated	<u>\$ 987,431</u>	<u>\$ 1,156,528</u>	<u>\$ (838,281)</u>	<u>\$ (437,786)</u>