



INDEPENDENT AUDITORS' REPORT

Board of Directors
The Wallace Medical Concern
Portland, Oregon

Report on the Financial Statements

We have audited the accompanying financial statements of The Wallace Medical Concern, a nonprofit organization, which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities and changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

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 audits 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Wallace Medical Concern as of June 30, 2018 and 2017, and the results of its operations, changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of functional expenses are presented for purposes of additional analysis and are not a required part of the financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is also presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedules of functional expenses and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting 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 January 23, 2019, on our consideration of The Wallace Medical Concern'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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the effectiveness of The Wallace Medical Concern's 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 The Wallace Medical Concern's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Bellevue, Washington
January 23, 2019

**THE WALLACE MEDICAL CONCERN
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2018 AND 2017**

	2018	2017
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 1,337,780	\$ 121,284
Patient Service Fees Receivable, Net	224,749	383,579
Grants, Contributions, and Other Receivables	145,621	159,822
Prepaid Expenses	75,767	65,340
Total Current Assets	1,783,917	730,025
FURNITURE, EQUIPMENT, AND LEASEHOLD IMPROVEMENTS, NET		
	803,458	969,376
Total Assets	\$ 2,587,375	\$ 1,699,401
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 51,708	\$ 134,462
Accrued Payroll Liabilities	204,773	220,499
Deferred Rent	21,539	14,085
Total Current Liabilities	278,020	369,046
COMMITMENTS AND CONTINGENCIES		
NET ASSETS		
Unrestricted	2,028,085	1,247,961
Temporarily Restricted	281,270	82,394
Total Net Assets	2,309,355	1,330,355
Total Liabilities and Net Assets	\$ 2,587,375	\$ 1,699,401

See accompanying Notes to Financial Statements.

THE WALLACE MEDICAL CONCERN
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2018

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUES, GAINS, AND OTHER SUPPORT			
Patient Service Fees	\$ 3,581,623	\$ -	\$ 3,581,623
Federal Grants	2,486,817	-	2,486,817
Other Grants and Contributions	197,520	229,660	427,180
In-Kind Contributions	-	-	-
Other	<u>527,519</u>	<u>-</u>	<u>527,519</u>
Total Revenues and Gains	6,793,479	229,660	7,023,139
Net Assets Released from Restrictions	<u>30,784</u>	<u>(30,784)</u>	<u>-</u>
Total Revenues, Gains, and Other Support	6,824,263	198,876	7,023,139
EXPENSES			
Program Services	4,668,382	-	4,668,382
Management and General	1,266,683	-	1,266,683
Fundraising	<u>109,075</u>	<u>-</u>	<u>109,075</u>
Total Expenses	<u>6,044,139</u>	<u>-</u>	<u>6,044,139</u>
CHANGES IN NET ASSETS	780,124	198,876	979,000
Net Assets - Beginning of Year	<u>1,247,961</u>	<u>82,394</u>	<u>1,330,355</u>
NET ASSETS - END OF YEAR	<u>\$ 2,028,085</u>	<u>\$ 281,270</u>	<u>\$ 2,309,355</u>

See accompanying Notes to Financial Statements.

**THE WALLACE MEDICAL CONCERN
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2017**

	Unrestricted	Temporarily Restricted	Total
REVENUES, GAINS, AND OTHER SUPPORT			
Patient Service Fees	\$ 2,914,849	\$ -	\$ 2,914,849
Federal Grants	2,436,873	-	2,436,873
Other Grants and Contributions	292,213	3,117	295,330
In-Kind Contributions	29,541	-	29,541
Other	508,926	-	508,926
Total Revenues and Gains	<u>6,182,402</u>	<u>3,117</u>	<u>6,185,519</u>
Net Assets Released from Restrictions	122,588	(122,588)	-
Total Revenues, Gains, and Other Support	<u>6,304,990</u>	<u>(119,471)</u>	<u>6,185,519</u>
EXPENSES			
Program Services	5,452,924	-	5,452,924
Management and General	1,248,549	-	1,248,549
Fundraising	144,743	-	144,743
Total Expenses	<u>6,846,216</u>	<u>-</u>	<u>6,846,216</u>
CHANGES IN NET ASSETS	(541,226)	(119,471)	(660,697)
Net Assets - Beginning of Year	<u>1,789,187</u>	<u>201,865</u>	<u>1,991,052</u>
NET ASSETS - END OF YEAR	<u>\$ 1,247,961</u>	<u>\$ 82,394</u>	<u>\$ 1,330,355</u>

See accompanying Notes to Financial Statements.

**THE WALLACE MEDICAL CONCERN
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2018 AND 2017**

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Receivable from Contributors, Clients, and Others	\$ 6,653,845	\$ 5,584,678
Cash Paid to Employees and Suppliers	(5,421,934)	(5,896,970)
Interest Received	605	258
Net Cash Provided (Used) by Operating Activities	1,232,516	(312,034)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Furniture, Equipment, and Leasehold Improvements	(16,020)	(29,548)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,216,496	(341,582)
Cash and Cash Equivalents - Beginning of Year	121,284	462,866
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 1,337,780	\$ 121,284
RECONCILIATION OF CHANGES IN NET ASSETS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Changes in Net Assets	\$ 979,000	\$ (660,697)
Adjustments to Reconcile Changes in Net Assets		
Net Cash Provided (Used) by Operating Activities		
Depreciation and Amortization	181,938	181,236
Bad Debt Expense	906,681	1,003,454
(Increase) Decrease in Assets:		
Grants, Contributions, and Other Receivables	14,201	142,249
Patient Service Fees Receivable	(747,851)	(1,065,659)
Prepaid Expenses	(10,427)	(18,995)
Increase (Decrease) in Liabilities:		
Accounts Payable	(82,754)	(31,363)
Deferred Rent	7,454	10,981
Accrued Payroll Liabilities	(15,726)	126,760
Total Adjustments	253,516	348,663
Net Cash Provided (Used) by Operating Activities	\$ 1,232,516	\$ (312,034)

See accompanying Notes to Financial Statements.

**THE WALLACE MEDICAL CONCERN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Mission

The Wallace Medical Concern (WMC), an Oregon nonprofit corporation, provides an open door to exceptional health services and connections that support individuals and their families in healthy living.

Who We Serve

WMC serves individuals and families who face barriers to care throughout the Portland and Gresham metropolitan area.

History of Success

WMC has a 33-year record of providing medical services and has distinguished itself as a patient focused innovative health care organization. WMC became a federally qualified health center in June of 2012, allowing for expansion of services and implementation of primary care that offers a comprehensive medical home and continuity of care for patients and their families. WMC's increasing capacity to provide high-quality health services is the result of its success with attracting and maintaining skilled and committed medical professionals, its innovative partnerships, and the hiring of bilingual, bicultural care providers and clinic staff. WMC has provided health care services since 1984, and now provides urgent care at two clinic locations and a mobile medical clinic, as well as primary care at its main clinic in Rockwood. In 2016, WMC expanded its services to include dental at the main clinic in Rockwood. WMC also operates podiatric, dermatologic, and chiropractic clinics, and has developed collaborative agreements with other providers and major health systems for referrals to other needed specialty care.

With bilingual staff, professional interpreter volunteers, and an emphasis on health literacy, health education, and prevention, WMC is able to provide culturally appropriate care to non-English speaking patients. The health access window at the Mexican consulate offers health promotion and disease prevention assistance. The mobile medical clinic and the new Rockwood Clinic located off the MAX line offer accessibility to those with limited transportation options.

The significant accounting policies followed by WMC are described below to enhance the usefulness of the financial statements to the reader.

Basis of Presentation

Net assets and all balances and transactions are presented based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of WMC and changes therein are classified and reported as follows:

Unrestricted Net Assets – Net assets not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets – Net assets subject to donor-imposed stipulations that may be met by actions of the organization and/or the passage of time. These balances represent the unexpended portion of externally restricted contributions and investment return to be used for specific programs and activities as directed by the donor.

**THE WALLACE MEDICAL CONCERN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

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

Basis of Presentation (Continued)

Permanently Restricted Net Assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the WMC. Generally, the donors of these assets permit WMC to use all or part of the income earned on any related investments for general or specific purposes. As of June 30, 2018 and 2017, WMC had no permanently restricted net assets.

Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires that management make estimates and assumptions that affect the reported amounts of assets and liabilities, the 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. In the opinion of management, such differences, if any, would not be significant.

Cash Equivalents

For purposes of the financial statements, WMC considers all liquid investments having initial maturities of three months or less to be cash equivalents. At June 30, 2018 and 2017, \$485,159 and \$89,632, respectively, of the organization's cash balances were held in money market funds.

Accounts Receivable

Accounts receivable are stated at net realizable value. Third-party contractual adjustments are made based on past experience. Receivables are reduced by an allowance for estimated uncollectible amounts and accounts deemed uncollectible are charged against this allowance.

Grants and Contributions

Grants and contributions, which include unconditional promises to give (pledges), are recognized as revenues in the period the commitment is received. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. All grants and contributions are considered available for unrestricted use unless specifically restricted by the donor.

**THE WALLACE MEDICAL CONCERN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

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

Contributions of Capital Assets

Contributions of capital assets without donor stipulations concerning the use of such long-lived assets are reported as revenues of the unrestricted net asset class. Contributions of cash or other assets to be used to acquire equipment with such donor restrictions are reported as revenues of the temporarily restricted net asset class; the restrictions are considered to be released at the time of acquisition of such long-lived assets.

Furniture, Equipment, and Leasehold Improvements

Furniture and equipment with a carrying value of \$1,000 or more for the furniture and leasehold improvements of \$2,000 or more are capitalized and reported at cost, and at fair value when acquired by gift. Depreciation is provided on a straight-line basis over the estimated useful lives of the respective assets, which is generally three to five years. Leasehold improvements are generally amortized over the lesser of ten years or the term of the lease. WMC reviews its capital assets for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable.

In-Kind Contributions

In accordance with FASB ASC No. 958-605, *Revenue Recognition*, significant services received which create or enhance a nonfinancial asset or require specialized skills that WMC would have purchased if not donated, are recognized in the statement of activities.

In-kind contributions of equipment and other materials and free use of facilities are recorded when there is an objective basis upon which to value the contributions where the contributions are an essential part of WMC's activities.

Patient Service Fees

WMC has agreements with third-party payors that provide for payment at prospectively determined rates for office visits and the other services provided, which are often different rates from WMC's established rates. Patient service fees are reported at the estimated net realizable amount to be received from third-party payors, including estimated retroactive adjustments under reimbursement and other agreements. Retroactive adjustments are made on an estimated basis in the period the related services have been rendered, and are adjusted in future periods as final settlements are determined.

WMC has a policy of providing care to uninsured self-pay patients who meet certain criteria under its policy at amounts less than its established rates, or without charge. However, all patients are requested to pay a nominal fee for each visit, although no patient is denied services because of an inability to pay. Since management does not expect payment for this care, the services that are discounted from the established rates are excluded from revenue.

**THE WALLACE MEDICAL CONCERN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

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

Patient Service Fees (Continued)

For uninsured patients that do not qualify for discount WMC recognizes revenue on the basis of its standard rates for services provided. A significant portion of WMC's uninsured patients will be unable to pay for the services provided. Thus, WMC records a significant provision for bad debts related to uninsured patients in the period the services are provided. WMC also records a provision for doubtful accounts related to third-party payors for services provided.

Revenues from third-party payor agreements are subject to audit and retroactive adjustments. Retroactive adjustments are recorded at the time that such amounts can first be reasonably determined, which is normally upon notification by the paying entity. The WMC receives reimbursements from several sources including Medicaid, Medicare, and private insurers. Payments include reimbursed costs and fees for service charges at discounted rates.

A significant percentage of patient service revenue was for services provided to Medicaid participants. Medicaid revenue represented approximately 64% and 50% of patient service revenue for the years ended June 30, 2018 and 2017, respectively. Medicaid receivables represented approximately 61% and 47% of net patient receivables at June 30, 2018 and 2017, respectively.

Grant Revenue

WMC receives support from various federal, state, and local government agencies. Grant receipts are subject to restrictions on the use of funds placed by the grantor. WMC administers these funds in accordance with the grantor guidelines. Grant revenue under cost reimbursement arrangements is recognized as expenses are incurred. Amounts incurred but not yet reimbursed are reported as grant receivables.

Advertising and Marketing Expenses

Advertising and marketing costs are charged to expense as they are incurred.

Concentrations of Credit Risk

WMC's financial instruments consist primarily of cash and cash equivalents, which may subject the organization to concentrations of credit risk as, from time to time, for example, cash balances may exceed amounts insured by the Federal Deposit Insurance Corporation (FDIC). In addition, the market value of securities is dependent on the ability of the issuer to honor its contractual commitments, and the investments are subject to changes in market values.

All checking and savings accounts, money market deposit accounts, and certificates of deposit are insured by the FDIC for up to \$250,000 for each depositor, for each insured bank, for each account ownership category.

**THE WALLACE MEDICAL CONCERN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

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

Concentrations of Credit Risk (Continued)

Certain receivables may also, from time to time, subject the organization to concentrations of credit risk. To minimize its exposure to significant losses from customer or donor insolvencies, the organization's management evaluates the financial condition of its customers and donors, and monitors concentrations of credit risk arising from similar geographic regions, activities, or economic characteristics. When necessary, receivables are reported net of an allowance for uncollectible accounts.

Income Taxes

WMC is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and comparable state law. In addition, WMC has been recognized as a public charity under Sections 170(b)(1)(A)(vi) and 509(a)(1) of the IRC. Accordingly, no provision for income taxes is shown in the financial statements. Management evaluated WMC's tax positions and concluded that WMC had taken no uncertain tax positions that require adjustments to the financial statements to comply with the provisions of FASB ASC Topic 740.

Excess (Deficit) Revenues Over Expense (Change in Net Assets)

The statements of activities and changes in net assets include excess (deficit) of revenue over expenses. Changes in unrestricted net assets which are excluded from this performance indicator, consistent with industry practice, include unrealized gains and losses on investments other than trading securities, permanent transfers of assets to and from affiliates for other than goods and services, restricted contributions and contributions of long-lived assets (including assets acquired using contributions which, by donor restriction were to be used for the purposes of acquiring such assets and the related releases).

Subsequent Events

Subsequent events have been evaluated by management through January 23, 2019, which is the date the financial statements were available to be issued.

NOTE 2 PATIENT SERVICE FEES RECEIVABLE

WMC reported patient service fees receivable as of June 30 as follows:

	2018	2017
Private Pay and Insurance Receivables	\$ 339,505	\$ 250,151
Less: Allowance for Uncollectible Receivables	247,381	174,235
Subtotal	92,124	75,916
PPS Wrap, NET	132,625	307,663
Total	<u>\$ 224,749</u>	<u>\$ 383,579</u>

**THE WALLACE MEDICAL CONCERN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE 3 FURNITURE, EQUIPMENT, AND LEASEHOLD IMPROVEMENTS

As of June 30, a summary of furniture, equipment, and leasehold improvements is as follows:

	2018	2017
Leasehold Improvements	\$ 669,242	\$ 669,242
Furniture and Equipment	700,197	684,176
Subtotal	1,369,439	1,353,418
Less: Accumulated Depreciation and Amortization	565,981	384,042
Furniture, Equipment, and Leasehold Improvements, Net	\$ 803,458	\$ 969,376

Total depreciation and amortization expense for the years ended June 30, 2018 and 2017 was \$181,938 and \$181,236, respectively.

NOTE 4 IN-KIND CONTRIBUTIONS

WMC's in-kind contributions for the years ended June 30 are summarized as follows:

	2018	2017
Program Services:		
Medical Staff	\$ -	\$ 24,536
Fundraising:		
Free Use of Office Space	-	5,005
Total	\$ -	\$ 29,541

NOTE 5 TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes at June 30:

	2018	2017
Patient Engagement	\$ 27,910	\$ 43,792
Dental Health and Education	29,627	27,312
Seeing Clearly	3,155	4,885
Patient Support Fund	10,625	3,855
Healthwork Base Camp	2,228	2,550
Outreach Expansion	82,725	-
Homeless Patient Support	125,000	-
Total Temporarily Restricted Net Assets	\$ 281,270	\$ 82,394

**THE WALLACE MEDICAL CONCERN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE 6 OPERATING LEASES

WMC leases certain office space and equipment under noncancelable lease agreements expiring on various dates through April of 2024. At June 30, 2018, WMC's approximate minimum rental commitments under these leases are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2019	\$ 296,269
2020	236,599
2021	128,668
2022	101,833
2023	104,888
Thereafter	88,698
Total	<u>\$ 956,955</u>

Lease expense for these leases totaled \$290,496 and \$313,858 for the years ended June 30, 2018 and 2017, respectively.

NOTE 7 LINE OF CREDIT

WMC maintains a line of credit for up to \$300,000, bearing interest at 1.5%, over the prime rate as quoted in *The Wall Street Journal*, then rounded to the nearest .125%, but no more than the maximum rate allowed by applicable law. The line matures on February 5, 2019, and is secured by all organizational inventory, chattel paper, accounts, equipment, and general intangible assets. At June 30, 2018 and 2017, the outstanding balance was \$-0-. Interest expense from the line of credit that was incurred during the fiscal years ended June 30, 2018 and 2017 was \$-0-.

NOTE 8 RETIREMENT PLAN

WMC sponsors a defined contribution retirement savings plan established under Section 401(k) of the Internal Revenue Code. Eligible employees may make voluntary contributions to the plan on a pre-tax basis up to the maximum amount allowed by law. Employee contributions to the plan vest as accrued. WMC may make discretionary contributions to the plan. During the years ended June 30, 2018 and 2017, WMC elected to match employee contributions to the plan up to 2% of gross wages; such contributions totaled \$81,949 and \$56,101, respectively.

NOTE 9 CONTINGENCIES

Certain amounts received or receivable under WMC's contracts with the U.S. Department of Health and Human Services and Multnomah County, Oregon are subject to audit and adjustment by the contracting agencies. Any expenditures or claims disallowed as a result of such audits would become a liability of the organization's general operating funds. In the opinion of WMC's management, any adjustments that might result from such audits would not be material to the organization's overall financial statements.

THE WALLACE MEDICAL CONCERN
SCHEDULE OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2018
(SEE INDEPENDENT AUDITORS' REPORT)

	Program Services	Management and General	Fundraising	Total
Salaries and Related Expenses	\$ 2,535,423	\$ 835,103	\$ 89,752	\$ 3,460,278
Professional Service Fees	537,332	156,469	12,043	705,844
Bad Debt Expense	906,682	-	-	906,682
Volunteer Management	10,753	128	-	10,881
Clinical and Pharmaceutical Supplies	184,702	130	-	184,832
Occupancy	235,211	97,340	-	332,551
Office Supplies	23,619	8,886	-	32,505
Postage and Delivery	1,749	1,671	343	3,763
Printing and Copying	3,831	649	1,110	5,590
Community Education Materials	7,036	1,374	-	8,410
Training and Meetings	20,621	20,968	318	41,907
Telecommunications	34,110	13,470	-	47,580
Travel Expenses	3,424	5,573	-	8,997
Event Expenses	191	4,092	2,453	6,736
Small Equipment	18,675	3,183	-	21,858
Insurance	100	38,536	-	38,636
Recruitment	1,091	8,945	-	10,036
Depreciation and Amortization	138,946	42,536	457	181,938
Other	4,886	27,630	2,599	35,115
	<u>4,668,382</u>	<u>1,266,683</u>	<u>109,075</u>	<u>6,044,139</u>
Total Expenses	<u>\$ 4,668,382</u>	<u>\$ 1,266,683</u>	<u>\$ 109,075</u>	<u>\$ 6,044,139</u>

**THE WALLACE MEDICAL CONCERN
SCHEDULE OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2017
(SEE INDEPENDENT AUDITORS' REPORT)**

	Program Services	Management and General	Fundraising	Total
Salaries and Related Expenses	\$ 2,800,514	\$ 744,929	\$ 119,193	\$ 3,664,636
Professional Service Fees	802,774	239,048	11,954	1,053,776
Bad Debt Expense	1,003,454	-	-	1,003,454
Volunteer Management	21,082	597	-	21,679
Clinical and Pharmaceutical Supplies	212,501	-	-	212,501
Occupancy	253,502	101,432	-	354,934
Office Supplies	31,148	9,374	55	40,577
Postage and Delivery	214	1,768	127	2,109
Printing and Copying	4,641	410	578	5,629
Community Education Materials	9,982	624	-	10,606
Training and Meetings	24,431	11,253	724	36,408
Telecommunications	35,381	19,968	623	55,972
Travel Expenses	9,359	4,633	43	14,035
Event Expenses	105	4,939	876	5,920
Small Equipment	47,401	3,188	-	50,589
Insurance	18,321	26,829	-	45,150
Recruitment	4,188	11,128	-	15,316
Depreciation and Amortization	140,686	40,092	458	181,236
Other	33,240	28,337	10,112	71,689
	<u>\$ 5,452,924</u>	<u>\$ 1,248,549</u>	<u>\$ 144,743</u>	<u>\$ 6,846,216</u>
Total Expenses				

**THE WALLACE MEDICAL CONCERN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2018**

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
U.S. Department of Health and Human Services:				
Health Centers Cluster:				
Affordable Care Act (ACA) Grants for New and Expanded Services under the Health Centers Program	93.527	N/A	\$ -	\$ 2,476,817
Passed Through Multnomah County, Oregon Department of County Human Services:				
Consolidated Health Centers	93.224	4600008741	-	10,000
Total Expenditures of Federal Awards			<u>\$ -</u>	<u>\$ 2,486,817</u>

THE WALLACE MEDICAL CONCERN
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2018

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of The Wallace Medical Concern under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of The Wallace Medical Concern, it is not intended to and does not present the financial position, changes in net assets, or cash flows of The Wallace Medical Concern.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3 INDIRECT COST RATE

The Wallace Medical Concern has elected not to use the 10-percent de minimus indirect cost rate allowed under the Uniform Guidance.