

McGladrey & Pullen

Certified Public Accountants

Delaware Valley Community Health, Inc.

Financial Report
(Comparative)

December 31, 2009

Contents

Independent Auditor's Report	1
Financial Statements:	
Balance Sheets	2
Statements of Operations and Changes in Net Assets	3
Statements of Functional Expenses	4
Statements of Cash Flows	5
Notes to Financial Statements	6 - 17

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Certified Public Accountants

Independent Auditor's Report

To the Board of Directors
Delaware Valley Community Health, Inc.
Philadelphia, Pennsylvania

We have audited the accompanying balance sheet of Delaware Valley Community Health, Inc. (the "Center") as of December 31, 2009, and the related statements of operations and changes in net assets, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Center's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior-year summarized comparative information has been derived from the Center's December 31, 2008 financial statements. Our report, dated May 14, 2009, expressed an unqualified opinion on those financial statements.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Center as of December 31, 2009, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

McGladrey & Pullen, LLP

New York, New York
June 22, 2010

Delaware Valley Community Health, Inc.

Balance Sheets

December 31, 2009 and 2008

	2009	2008
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 1,427,280	\$ 1,071,457
Short-term investments (Note 3)	1,325,548	1,962,805
Patient services receivable, net (Note 4)	2,118,041	2,103,892
Contract services receivable (Note 5)	125,055	167,665
Contribution receivable (Note 13)	200,000	100,000
Other receivable - current portion (Note 6)	37,761	36,553
Prepaid expenses and other	456,810	192,174
Total current assets	5,690,495	5,634,546
Other Receivable - noncurrent portion (Note 6)	257,497	295,259
Contribution Receivable - noncurrent portion (Note 13)	-	100,000
Property and Equipment, net (Note 7)	14,067,157	12,373,495
Total assets	\$ 20,015,149	\$ 18,403,300
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 852,857	\$ 691,618
Accrued compensation	1,444,740	916,843
Refundable advances (Note 8)	-	119,111
Current portion - bond payable (Note 9)	277,765	277,765
Total current liabilities	2,575,362	2,005,337
Interest Rate Swap Payable (Note 9)	404,805	851,348
Long-Term Liabilities - bond payable (Note 9)	4,346,161	4,623,926
Total liabilities	7,326,328	7,480,611
Commitments and Contingencies (Notes 7, 9, 11, 14 and 15)		
Net Assets:		
Unrestricted	12,488,821	10,722,689
Temporarily restricted (Note 13)	200,000	200,000
Total net assets	12,688,821	10,922,689
Total liabilities and net assets	\$ 20,015,149	\$ 18,403,300

See Notes to Financial Statements.

Delaware Valley Community Health, Inc.

Statements of Operations and Changes in Net Assets

Years Ended December 31, 2009 and 2008

(with summarized financial information for the year ended December 31, 2008)

	2009		2008	
	Unrestricted	Temporarily Restricted	Total	Total
Revenue:				
Federal grants (Note 10)	\$ 4,132,540	\$ -	\$ 4,132,540	\$ 3,500,653
Patient services, net (Note 11)	14,660,902	-	14,660,902	12,495,311
Contract services (Note 12)	750,822	-	750,822	743,881
Interest	44,003	-	44,003	137,248
Other	220,170	100,000	320,170	72,662
Release of net assets (Note 13)	100,000	(100,000)	-	-
Total revenue	19,908,437	-	19,908,437	16,949,755
Expenses:				
Salaries and benefits	14,817,456	-	14,817,456	12,812,001
Other than personnel services	4,341,074	-	4,341,074	3,631,009
Provision for bad debts	165,802	-	165,802	69,510
Total expenses	19,324,332	-	19,324,332	16,512,520
Operating income prior to depreciation	584,105	-	584,105	437,235
Depreciation	692,163	-	692,163	713,009
Operating loss	(108,058)	-	(108,058)	(275,774)
Nonoperating Activities:				
Federal grants (Note 10)	308,467	-	308,467	193,464
Contract services (Note 12)	1,050,395	-	1,050,395	-
Contributions - capital construction	68,285	-	68,285	706,438
Gain on interest rate swap (Note 9)	446,543	-	446,543	(609,571)
Gain on sale of building (Note 16)	500	-	500	846,126
Increase in net assets	1,766,132	-	1,766,132	860,683
Net Assets:				
Beginning	10,722,689	200,000	10,922,689	10,062,006
Ending	<u>\$ 12,488,821</u>	<u>\$ 200,000</u>	<u>\$ 12,688,821</u>	<u>\$ 10,922,689</u>

See Notes to Financial Statements.

Delaware Valley Community Health, Inc.

Statements of Functional Expenses

Years Ended December 31, 2009 and 2008

(with summarized financial information for the year ended December 31, 2008)

	2009			2008	
	Program Services	General and Administrative	Fund-Raising	Total	Total
Salaries and wages	\$ 9,584,596	\$ 2,091,159	\$ 69,727	\$11,745,482	\$ 10,000,474
Fringe benefits	2,468,956	592,683	10,335	3,071,974	2,811,527
Healthcare consultants	79,071	-	-	79,071	141,518
Consultants and contractual services	279,286	276,368	13,014	568,668	435,163
Professional fees	-	84,784	-	84,784	83,581
Consumable supplies	493,153	22,179	869	516,201	382,171
Laboratory and radiology	473,105	-	-	473,105	444,191
Pharmaceuticals	1,059,045	-	-	1,059,045	787,376
Occupancy	305,213	68,539	378	374,130	339,282
Insurance	13,486	60,490	-	73,976	63,812
Telephone	115,029	33,862	742	149,633	146,389
Travel, conferences and meetings	20,243	22,345	2,154	44,742	49,773
Dues and subscriptions	5,369	33,402	500	39,271	42,044
Printing, publications and postage	69,405	7,347	11,771	88,523	84,400
Staff training	84,354	65,717	280	150,351	147,466
Equipment rental and maintenance	164,274	162,357	-	326,631	141,862
Provision for bad debts	165,802	-	-	165,802	69,510
Interest	171,695	32,649	-	204,344	242,055
Other	59,529	34,739	14,331	108,599	99,926
	15,611,611	3,588,620	124,101	19,324,332	16,512,520
Depreciation	591,107	101,056	-	692,163	713,009
Total functional expenses	\$16,202,718	\$ 3,689,676	\$ 124,101	\$20,016,495	\$ 17,225,529

See Notes to Financial Statements.

Delaware Valley Community Health, Inc.

Statements of Cash Flows

Years Ended December 31, 2009 and 2008

	2009	2008
Cash Flows From Operating Activities:		
Cash received from federal grants	\$ 4,321,896	\$ 2,906,186
Cash received from patient services	14,480,951	12,739,066
Cash received from contract services	1,843,827	751,722
Cash received from capital contributions	68,285	806,438
Cash received from interest	44,003	137,248
Cash received from other	320,170	72,662
Cash paid for interest	(204,344)	(242,055)
Cash paid for operations	(18,493,132)	(17,418,875)
Net cash provided by (used in) operating activities	2,381,656	(247,608)
Cash Flows From Investing Activities:		
Purchase of property and equipment	(2,385,325)	(644,435)
Disposal of property and equipment	-	1,481,401
Sale of short-term investments	637,257	551,466
Net cash (used in) provided by investing activities	(1,748,068)	1,388,432
Cash Used in Financing Activity - payments on bond payable	(277,765)	(1,062,674)
Net increase in cash and cash equivalents	355,823	78,150
Cash and Cash Equivalents:		
Beginning	1,071,457	993,307
Ending	<u>\$ 1,427,280</u>	<u>\$ 1,071,457</u>
Reconciliation of Increase in Net Assets to Net Cash Provided by (Used in) Operating Activities:		
Increase in net assets	\$ 1,766,132	\$ 860,683
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities:		
Depreciation	692,163	713,009
(Gain) loss on interest rate swap	(446,543)	609,571
Gain on sale of building	(500)	(846,126)
Provision for bad debts	165,802	69,510
Changes in operating assets and liabilities:		
(Increase) decrease in patient services receivable	(179,951)	243,755
Decrease in contract services receivable	42,610	7,841
Decrease in contribution receivable	-	100,000
Decrease in other receivable	36,554	35,290
(Increase) decrease in prepaid expenses and other	(264,636)	28,634
Increase (decrease) in accounts payable and accrued expenses	161,239	(1,458,169)
Increase in accrued compensation	527,897	176,325
Decrease in refundable advances	(119,111)	(787,931)
Total adjustments	615,524	(1,108,291)
Net cash provided by (used in) operating activities	\$ 2,381,656	\$ (247,608)

See Notes to Financial Statements.

Delaware Valley Community Health, Inc.

Notes to Financial Statements

Note 1. Organization

Delaware Valley Community Health, Inc. (the "Center") operates healthcare centers located in Philadelphia and Norristown, Pennsylvania. The Center provides a broad range of health services to a largely medically underserved population.

The U.S. Department of Health and Human Services (the "DHHS") provides substantial support to the Center. The Center 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

The preparation of financial statements in conformity 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. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

The Center maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Center has not experienced any losses in such accounts. All highly liquid investments with maturities of three months or less when purchased are considered to be cash equivalents.

Patient services receivable are reported at their outstanding unpaid principal balances reduced by an allowance for doubtful accounts. The Center estimates doubtful accounts based on historical bad debts, factors related to specific payors' ability to pay and current economic trends.

Property and equipment is recorded at cost. Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets, which range from 5 to 20 years for equipment and vehicles and 30 years for building and improvements. The Center capitalizes all purchases of property and equipment in excess of \$5,000.

Construction-in-progress is recorded at cost and includes construction cost as well as insurance and interest. Depreciation is recorded when construction is substantially complete and the asset is placed into service.

Contributions are recorded as either temporarily or permanently restricted revenue if they are received with 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 expire during the same fiscal year are recognized as unrestricted revenue.

Revenue from government grants and contracts designated for use in specific activities is recognized in the period when expenditures have been incurred in compliance with the grantor's restrictions. Contracts awarded for the acquisition of long-lived assets are reported as unrestricted nonoperating revenue, in the absence of donor stipulations to the contrary, during the fiscal year in which the assets are acquired. Cash received in excess of revenue recognized is recorded as refundable advances. At December 31, 2009, the Center has received conditional grants and contracts from governmental entities in the aggregate amount of \$3,780,275 that have not been recorded in these financial statements. These grants and contracts require the Center to provide certain healthcare services during specified periods. If such services are not provided during the periods, the governmental entities are not obligated to expend the funds allotted under the contracts.

Notes to Financial Statements

Note 2. Significant Accounting Policies (Continued)

Patient services revenue is reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered. Self-pay revenue is recorded at published charges with charitable allowances deducted to arrive at net self-pay revenue. All other patient services revenue is recorded at published charges with contractual allowances deducted to arrive at patient services, net.

Interest earned on nonfederal funds is recorded as income on an accrual basis. Interest earned on federal funds is recorded as a payable to the Public Health Service (the "PHS") in compliance with Office of Management and Budget ("OMB") Circular A-110.

The Center was incorporated as a not-for-profit corporation under the laws of the Commonwealth of Pennsylvania and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Therefore, there is no provision for income taxes.

On January 1, 2009, the Center adopted the accounting standard on accounting for uncertainty in income taxes, which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, the Center may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The guidance on accounting for uncertainty in income taxes also addresses derecognition, classification, interest and penalties on income taxes, and accounting in interim periods.

Management evaluated the Center's tax positions and concluded that the Center had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance. With few exceptions, the Center is no longer subject to income tax examinations by U.S. federal, state or local tax authorities for years before 2006, which is the standard statute of limitations look-back period.

Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 820 defines fair value, establishes a framework for measuring fair value and expands disclosure of fair value measurements. The Center has adopted ASC 820 for nonfinancial assets and nonfinancial liabilities. ASC 820 applies to all assets and liabilities that are measured and reported on a fair value basis. The adoption of ASC 820 did not have a material impact on the financial statements or results of operations of the Center.

Some of the items for 2008 have been reclassified to conform to the current year's presentation.

The Center evaluates events occurring after the date of the financial statements to consider whether or not the impact of such events needs to be reflected or disclosed in the financial statements. Such evaluation is performed through the date the financial statements were issued, which was June 22, 2010 for these financial statements.

Delaware Valley Community Health, Inc.

Notes to Financial Statements

Note 3. Financial Instruments

A summary of financial instruments at December 31, 2009 is as follows:

	Cost	Gross Unrealized Gain	Fair Market Value
Money markets	\$ 493,355	\$ -	\$ 493,355
U.S. government bonds	831,805	388	832,193
Interest rate swap	(851,348)	446,543	(404,805)
	<u>\$ 473,812</u>	<u>\$ 446,931</u>	<u>\$ 920,743</u>

A summary of financial instruments at December 31, 2008 is as follows:

	Cost	Gross Unrealized Gain (Loss)	Fair Market Value
Money markets	\$ 156,972	\$ -	\$ 156,972
U.S. government bonds	1,776,072	29,761	1,805,833
Interest rate swap	(241,777)	(609,571)	(851,348)
	<u>\$ 1,691,267</u>	<u>\$ (579,810)</u>	<u>\$ 1,111,457</u>

The Center applies the provisions of ASC 820, *Fair Value Measurements*, for financial assets and financial liabilities measured and reported at fair value. ASC 820 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements.

ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. ASC 820 requires the use of valuation techniques that are consistent with the market approach, the income approach and/or the cost approach. Inputs may be observable, based on market data obtained from independent sources, or unobservable, meaning those that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. In that regard, ASC 820 establishes a fair value hierarchy for valuation inputs that gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The fair value hierarchy is as follows:

- Level 1: Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Level 1 also includes U.S. Treasury and federal agency securities and federal agency mortgage-backed securities, which are traded by dealers or brokers in active markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Delaware Valley Community Health, Inc.

Notes to Financial Statements

Note 3. Financial Instruments (Continued)

Level 2: Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third-party pricing services for identical or similar assets or liabilities.

Level 3: Valuations for assets or liabilities are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker-traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

For the fiscal year ended December 31, 2009, the application of valuation techniques applied to similar assets and liabilities has been consistent. The following is a description of the valuation methodologies used for instruments measured at fair value:

Financial Instruments

The fair value of financial instruments is the market value based on quoted market prices, when available, or market prices provided by recognized broker-dealers. If listed prices or quotes are not available, fair value is based upon externally developed models that use unobservable inputs due to the limited market activity of the instrument.

The following table summarizes assets and liabilities measured at fair value on a recurring basis as of December 31, 2009, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value:

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money markets	\$ 493,355	\$ 493,355	\$ -	\$ -
U.S. government bonds	832,193	832,193	-	-
Interest rate swap	(404,805)	-	-	(404,805)
	<u>\$ 920,743</u>	<u>\$ 1,325,548</u>	<u>\$ -</u>	<u>\$ (404,805)</u>

Delaware Valley Community Health, Inc.

Notes to Financial Statements

Note 3. Financial Instruments (Continued)

The following table summarizes assets and liabilities measured at fair value on a recurring basis as of December 31, 2008, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value:

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money markets	\$ 156,972	\$ 156,972	\$ -	\$ -
U.S. government bonds	1,805,833	1,805,833	-	-
Interest rate swap	(851,348)	-	-	(851,348)
	<u>\$ 1,111,457</u>	<u>\$ 1,962,805</u>	<u>\$ -</u>	<u>\$ (851,348)</u>

Note 4. Patient Services Receivable, Net

Patient services receivable, net, consist of the following at December 31:

	2009	2008
Medicaid	\$ 49,788	\$ 281,546
Medicare	136,207	201,148
Private insurance	151,888	277,366
Self-pay	190,220	182,344
Managed care plans	1,542,559	1,718,299
Medicaid Wraparound	1,234,423	1,182,674
	<u>3,305,085</u>	<u>3,843,377</u>
Less allowance	<u>1,187,044</u>	<u>1,739,485</u>
	<u>\$ 2,118,041</u>	<u>\$ 2,103,892</u>

Delaware Valley Community Health, Inc.**Notes to Financial Statements**

Note 5. Contract Services Receivable

Contract services receivable consist of the following at December 31:

	<u>2009</u>	<u>2008</u>
Philadelphia Health Management Corporation - Health Center Grants for Homeless Populations	\$ 11,651	\$ 50,614
The Health Federation of Philadelphia: HIV Emergency Relief Project Grant	93,791	96,890
Other	<u>19,613</u>	<u>20,161</u>
	<u><u>\$ 125,055</u></u>	<u><u>\$ 167,665</u></u>

Note 6. Other Receivable

In September 2007, the Center took over an obstetrician/gynecology practice. As part of the agreement, the Center paid the malpractice tail insurance on the obstetrician/gynecology practice. The receivable is to be forgiven over a period of nine years if the physicians continue their employment. It will be recorded as a taxable employee benefit starting August 2008 that is included in the doctors' compensation for taxable purposes. Any physician leaving prior to the end of the nine-year period must pay the unamortized portion.

Other receivable	\$ 295,258
Less current portion	<u>37,761</u>
Other receivable - noncurrent portion	<u><u>\$ 257,497</u></u>

The aggregate amounts of principal recognized on other receivable during the years following December 31, 2009 are as follows:

<u>Year ending December 31,</u>	
2010	\$ 37,761
2011	39,217
2012	40,621
2013	42,075
2014	43,582
Thereafter	<u>92,002</u>
	<u><u>\$ 295,258</u></u>

Delaware Valley Community Health, Inc.**Notes to Financial Statements**

Note 7. Property and Equipment, Net

Property and equipment, net, consists of the following at December 31:

	<u>2009</u>	<u>2008</u>
Land	\$ 68,018	\$ 68,018
Building and improvements	14,957,886	13,360,421
Office equipment	2,345,095	2,139,624
Medical and dental equipment	2,042,369	2,030,405
Vehicle	71,361	71,361
Construction-in-progress	570,706	-
	<u>20,055,435</u>	<u>17,669,829</u>
Less accumulated depreciation	<u>5,988,278</u>	<u>5,296,334</u>
	<u><u>\$ 14,067,157</u></u>	<u><u>\$ 12,373,495</u></u>

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

The construction-in-progress for the new Maria de los Santos site was put into operation on January 2, 2008, and the amounts were transferred to the natural components of property and equipment.

Note 8. Refundable Advances

Refundable advances consist of the following at December 31:

	<u>2009</u>	<u>2008</u>
U.S. Department of Health and Human Services:		
Consolidated Health Centers program	\$ -	\$ 104,767
Other	-	14,344
	<u><u>\$ -</u></u>	<u><u>\$ 119,111</u></u>

Delaware Valley Community Health, Inc.

Notes to Financial Statements

Note 9. Bond Payable

	<u>2009</u>	<u>2008</u>
On May 19, 2006, West Norriton Township Industrial Development Authority issued a \$7,000,000 bond. The proceeds from the sale of the bond were used to finance the construction of the Maria de los Santos site in Philadelphia, Pennsylvania. Monthly amortization of the outstanding principal commenced February 1, 2008, with a final maturity of January 11, 2033. The bond incurs interest at a variable rate of LIBOR plus 1.4% times 68%. This bond is secured by a first priority mortgage on real property.	\$ 4,623,926	\$ 4,901,691
Less current maturities	<u>277,765</u>	<u>277,765</u>
	<u><u>\$ 4,346,161</u></u>	<u><u>\$ 4,623,926</u></u>

The aggregate amounts of principal payments on bond payable during the years following December 31, 2009 are as follows:

Year ending December 31,

2010	\$ 277,765
2011	277,765
2012	277,765
2013	277,765
2014	277,765
Thereafter	<u>3,235,101</u>
	<u><u>\$ 4,623,926</u></u>

Effective as of December 1, 2006, the Center entered into an interest rate swap agreement with Citizens Bank having an initial notional principal amount of \$4,000,000 with a maturity date of July 2027. Under the swap agreement, the Center pays interest on a monthly basis at a fixed rate of 3.83% and the bank pays the Center a floating rate of 68% of one-month LIBOR. They entered into the agreement to manage their risks. The agreement is designated as a freestanding instrument. The interest rate swap is not designated as a hedging instrument. The cumulative market-to-market gain or loss on the swap agreement's fair value is a liability of \$404,805 at December 31, 2009 (included in the balance sheet as a payable) and the change is shown as a gain or loss on the statement of operations and changes in net assets.

Delaware Valley Community Health, Inc.

Notes to Financial Statements

Note 10. Federal Grants

For the year ended December 31, 2009, the Center received the following federal grants:

<u>Grant Number</u>	<u>Grant Period</u>	<u>Total Grant</u>	<u>2009 Unrestricted Revenue Recognized</u>
6 H80 CS 00833-07-01	06/01/08 - 05/31/09	\$ 3,453,784	\$ 1,439,077
6 H80 CS 00833-08-02	06/01/09 - 05/31/10	4,144,818	2,417,810
1 C81 CS 13686-01-02 *	06/29/09 - 06/28/11	1,626,760	173,514
1 HB CS 12440-01-01	03/27/09 - 03/26/11	556,770	275,653
1 DIB IT 16751-01-01 *	09/01/09 - 08/31/10	188,100	134,953
			<u>\$ 4,441,007</u>

* Grant numbers 1C81 CS 13686-01-02 and 1 DIB IT 16751-01-01 are reported as nonoperating revenue in the statement of operations and changes in net assets.

For the year ended December 31, 2008, the Center received the following federal grants:

<u>Grant Number</u>	<u>Grant Period</u>	<u>Total Grant</u>	<u>2008 Unrestricted Revenue Recognized</u>
5 H80 CS 00833-06-00	06/01/07 - 05/31/08	\$ 3,446,269	\$ 1,435,945
5 H80 CS 00833-07-01	06/01/08 - 05/31/09	3,453,784	2,014,708
6 C76 HF 0 0520-02-02 *	09/01/05 - 08/31/07	736,550	193,464
B-02-SP-PA-0620		50,000	50,000
			<u>\$ 3,694,117</u>

* Grant numbers 6 C76 HF 00520-02-02 and 1 C81 CS 13686-01-02 are related to purchase of property and equipment and are reported as nonoperating revenue in the statement of operations and changes in net assets.

The Center receives a grant from the DHHS to support the Integrated Services Development Initiative/Shared Integrated Management Information Systems program of \$135,021, which was extended through August 31, 2009. The money earned on this grant is passed through to a 501(c)(3) not-for-profit organization. For the years ended December 31, 2009 and 2008, the Center passed through \$26,954 and \$101,781, respectively.

Delaware Valley Community Health, Inc.

Notes to Financial Statements

Note 11. Patient Services, Net

Patient services revenue, net, for 2009 consists of the following:

	<u>Gross Charges</u>	<u>Charitable and Contractual Allowances</u>	<u>Net Revenue</u>
Medicaid	\$ 1,158,998	\$ 364,137	\$ 794,861
Medicare	462,709	101,504	361,205
Private insurance	1,227,649	528,491	699,158
Self-pay	5,205,916	4,179,535	1,026,381
Managed care plans	15,045,876	9,070,216	5,975,660
Pharmacy revenue	1,315,694	456,763	858,931
	<u>24,416,842</u>	<u>14,700,646</u>	<u>9,716,196</u>
Medicaid Managed Care Wraparound			3,984,869
Medicare Managed Care Wraparound			184,332
Shared savings distributions from managed care plans			775,505
			<u><u>\$ 14,660,902</u></u>

Patient services revenue, net, for 2008 consists of the following:

	<u>Gross Charges</u>	<u>Charitable and Contractual Allowances</u>	<u>Net Revenue</u>
Medicaid	\$ 1,086,189	\$ 515,949	\$ 570,240
Medicare	454,958	212,003	242,955
Private insurance	1,141,191	515,925	625,266
Self-pay	4,663,617	3,753,138	910,479
Managed care plans	13,886,765	8,527,627	5,359,138
Pharmacy revenue	861,069	227,973	633,096
	<u>22,093,789</u>	<u>13,752,615</u>	<u>8,341,174</u>
Medicaid Managed Care Wraparound			3,553,557
Medicare Managed Care Wraparound			160,484
Shared savings distributions from managed care plans			440,096
			<u><u>\$ 12,495,311</u></u>

Delaware Valley Community Health, Inc.

Notes to Financial Statements

Note 11. Patient Services, Net (Continued)

Medicaid and Medicare revenue is reimbursed to the Center at the net reimbursement rates as determined by each program. Reimbursement rates are subject to revisions under the provisions of reimbursement regulations. Adjustments for such revisions are recognized in the fiscal period incurred.

Note 12. Contract Services

Contract services revenue consists of the following for the year ended December 31:

	<u>2009</u>	<u>2008</u>
Philadelphia Health Management Corporation - Health Center Grants for Homeless Populations	\$ 259,499	\$ 313,843
The Health Federation of Philadelphia: HIV Emergency Relief Project Grant	205,042	217,979
Institute for Safe Families	256,787	-
Philadelphia Authority for Industrial Development: Redevelopment Assistance Capital Program *	1,050,395	-
Other	<u>29,494</u>	<u>212,059</u>
	<u><u>\$ 1,801,217</u></u>	<u><u>\$ 743,881</u></u>

*These funds are reported as nonoperating revenue in the statement of operations and changes in net assets.

Note 13. Temporarily Restricted Net Assets

In October 2007, the Center received a contribution that is to be received over the next three years of \$400,000 that is solely time-restricted for operations. In January 2009, the Center received a contribution to be received over two years of \$200,000 that is also solely time-restricted for operations. The Center received \$200,000 and \$100,000 in 2009 and 2008, respectively, on the two contributions. There is a balance of \$200,000 remaining to be received next year for both contributions.

Note 14. Pension Plan

The Center has a 401(k) matched savings plan covering substantially all employees who, after a minimum of a one-year waiting period, are at least the age of 21 and have a minimum of 1,000 hours within a plan year. Full vesting occurs after three years of service. The amount contributed to the plan is a fixed percentage of the participant's compensation combined with a dollar-for-dollar match of any voluntary employee deferral up to 2.5% of salary. Pension expense amounted to \$753,598 and \$650,306 for the years ended December 31, 2009 and 2008, respectively.

Note 15. Commitments and Contingencies

The Center has contracted with various funding agencies to perform certain healthcare services, and receives Medicaid and Medicare revenue from the state and federal governments. Reimbursements received under these contracts and payments under Medicaid and Medicare are subject to audit by the federal and state governments and other agencies. Upon audit, if discrepancies are discovered, the Center could be held responsible for reimbursing the agencies for the amounts in question.

Delaware Valley Community Health, Inc.

Notes to Financial Statements

Note 15. Commitments and Contingencies (Continued)

The Center has a revolving line of credit of \$1,000,000. This agreement requires interest to be charged at LIBOR (1.69% at December 31, 2009) plus the applicable rate of 1.00%. The line of credit is secured by the Center's assets. No amount was borrowed at December 31, 2009.

The Center maintains its medical malpractice coverage under the Federal Tort Claims Act ("FTCA"). FTCA provides malpractice coverage to eligible PHS-supported programs and applies to the Center and its employees while providing services within the scope of employment included under grant-related activities. The Attorney General, through the U.S. Department of Justice, has the responsibility for the defense of the individual and/or grantee for malpractice cases approved for FTCA coverage.

The Center currently rents property under two leases, which expired at year-end. Rent expense for the years ended December 31, 2009 and 2008 amounted to \$165,791 and \$163,658, respectively. A new facility under a noncancelable operating lease was entered into which requires minimum payments of the following:

Year ending December 31,

2010	\$ 143,048
2011	143,048
2012	143,048
2013	143,048
2014	143,048
Thereafter	<u>84,629</u>
	<u>\$ 799,869</u>

Note 16. Gain on Sale of Building

On February 19, 2008, the Center sold the old Maria de los Santos site in Philadelphia, Pennsylvania for \$1,615,250. The proceeds from the sale were \$1,481,399 and went directly to pay down a piece of the bond taken out to finance the new building. The sale resulted in a gain on sale of the building of \$846,126 in 2008. In 2009, there was a residual gain of \$500.