

***CHRISTIAN HEALING NETWORK
DBA MISSION MEDICAL CLINIC***

FINANCIAL STATEMENTS

WITH

INDEPENDENT AUDITORS' REPORT

JUNE 30, 2009

**OSBORNE, PARSONS & ROSACKER, LLP
CERTIFIED PUBLIC ACCOUNTANTS**

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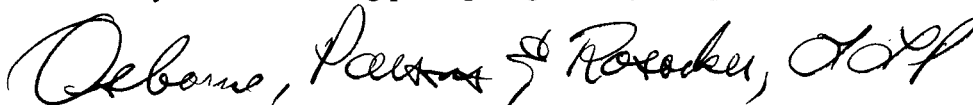
INDEPENDENT AUDITORS' REPORT

Board of Directors
Christian Healing Network dba Mission Medical Clinic
Colorado Springs, Colorado

We have audited the accompanying statement of financial position of Christian Healing Network dba Mission Medical Clinic (Clinic), as of June 30, 2009, and the related statements of activities, cash flows, and functional expense for the year then ended. These statements are the responsibility of the Clinic'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 Clinic's June 30, 2008, financial statements and, in our report dated November 25, 2008, we 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Clinic's internal control over financial reporting. Accordingly, we express no such opinion. An audit also 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 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 presents fairly, in all material respects, the financial position of the Christian Healing Network dba Mission Medical Clinic as of June 30, 2009, in conformity with accounting principles generally accepted in the United States of America.



Colorado Springs, Colorado
December 18, 2009

CHRISTIAN HEALING NETWORK
dba MISSION MEDICAL CLINIC
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2009
With Comparative Totals for 2008

ASSETS

	2009	2008
Cash	\$ 55,437	\$ 69,953
Cash - restricted for long-term purposes	11,580	-
Total cash	67,017	69,953
Pledges receivable	98,545	75,457
Inventory	244,070	295,606
Deposits	5,793	5,793
Prepaid expenses	5,127	5,255
Pledge receivable for long-term purposes	-	50,000
Property and equipment, net	989,466	999,676
Total assets	\$ 1,410,018	\$ 1,501,740

LIABILITIES AND NET ASSETS

Liabilities

Accounts payable and accrued expense	\$ 16,964	\$ 11,065
Deferred revenue	-	25,000
Total liabilities	16,964	36,065

Net assets

Unrestricted	1,195,354	1,292,891
Temporarily restricted	147,700	122,784
Permanently restricted	50,000	50,000
Total net assets	1,393,054	1,465,675

Total liabilities and net assets	\$ 1,410,018	\$ 1,501,740
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See notes to financial statements

CHRISTIAN HEALING NETWORK
dba MISSION MEDICAL CLINIC
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2009
With Comparative Totals for 2008

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	
				<u>2009</u>	<u>2008</u>
Public support and revenue					
Public support					
Contributions and grants	\$ 353,434	\$ 249,361	\$ -	\$ 602,795	\$ 666,418
Donated services	491,195	-	-	491,195	624,193
Gifts in kind	2,220,210	-	-	2,220,210	2,359,784
Fee income	4,538	-	-	4,538	-
Interest income	921	-	-	921	3,795
Other income	6,444	-	-	6,444	2,801
	<u>3,076,742</u>	<u>249,361</u>	<u>-</u>	<u>3,326,103</u>	<u>3,656,991</u>
Net assets released from restrictions					
Program	148,988	(148,988)	-	-	-
Time	75,457	(75,457)	-	-	-
Total net assets released from restrictions	<u>224,445</u>	<u>(224,445)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total public support and revenue	<u>3,301,187</u>	<u>24,916</u>	<u>-</u>	<u>3,326,103</u>	<u>3,656,991</u>
Expense					
Program	3,262,766	-	-	3,262,766	3,298,512
Administrative	92,933	-	-	92,933	73,418
Fund raising	43,025	-	-	43,025	45,448
Total expense	<u>3,398,724</u>	<u>-</u>	<u>-</u>	<u>3,398,724</u>	<u>3,417,379</u>
Change in net assets	(97,537)	24,916	-	(72,621)	239,612
Beginning net assets	<u>1,292,891</u>	<u>122,784</u>	<u>50,000</u>	<u>1,465,675</u>	<u>1,226,063</u>
Ending net assets	<u>\$ 1,195,354</u>	<u>\$ 147,700</u>	<u>\$ 50,000</u>	<u>\$ 1,393,054</u>	<u>\$ 1,465,675</u>

See notes to financial statements

CHRISTIAN HEALING NETWORK
dba MISSION MEDICAL CLINIC
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2009
With Comparative Totals for 2008

	<u>2009</u>	<u>2008</u>
Cash flows from operating activities		
Change in net assets	\$ (72,621)	\$ 239,612
Adjustments to reconcile change in net assets to net cash used by operating activities		
Depreciation	40,262	33,162
Contribution of capital asset	-	(5,250)
Amortization of discount on interest free loan	-	46,623
Pledge receivable for long-term purposes	-	(50,000)
Changes in assets and liabilities		
Pledges receivable	(23,088)	(35,564)
Inventory	51,536	(75)
Prepaid expenses	128	1,001
Accounts payable	5,899	9,145
Deferred revenue	(25,000)	25,000
Net cash (used) provided by operating activities	<u>(22,884)</u>	<u>263,654</u>
Cash flow from investing activities		
Purchase of fixed assets	<u>(30,052)</u>	<u>(48,576)</u>
Net cash used by investing activities	<u>(30,052)</u>	<u>(48,576)</u>
Cash flow from financing activities		
Repayment of loan	-	(260,000)
Collection of pledge receivable, restricted for long-term purposes	<u>50,000</u>	<u>-</u>
Net cash provided (used) by financing activities	<u>50,000</u>	<u>(260,000)</u>
Change in cash	(2,936)	(44,922)
Beginning cash	<u>69,953</u>	<u>114,875</u>
Ending cash	<u>\$ 67,017</u>	<u>\$ 69,953</u>

See notes to financial statements

CHRISTIAN HEALING NETWORK
dba MISSION MEDICAL CLINIC
STATEMENT OF FUNCTIONAL EXPENSE
YEAR ENDED JUNE 30, 2009
With Comparative Totals for 2008

	<u>Program</u>	<u>Administrative</u>	<u>Fund raising</u>	<u>Total</u>	
				<u>2009</u>	<u>2008</u>
Wages	\$ 307,198	\$ 31,530	\$ 24,061	\$ 362,789	\$ 146,732
Payroll taxes and benefits	43,550	4,470	3,411	51,431	22,357
Donated services	490,545	650	-	491,195	624,193
Contract services	384	-	-	384	6,098
Postage	552	1,657	552	2,761	3,729
Printing and reproduction	1,720	6,449	430	8,599	5,415
Supplies	36,634	5,474	-	42,108	50,161
Medical supplies	2,289,876	-	-	2,289,876	2,375,784
Licenses, fees, and dues	270	2,428	-	2,698	3,140
Small equipment	7,977	4,110	-	12,087	14,170
Repairs and maintenance	16,650	3,122	1,041	20,813	13,402
Depreciation	32,210	6,039	2,013	40,262	33,162
Utilities	13,598	2,550	850	16,998	21,067
Telephone	6,080	1,140	380	7,600	5,359
Insurance	14,309	3,577	941	18,827	19,309
Travel	-	2,021	-	2,021	5,819
Fundraising	-	-	9,338	9,338	11,170
Professional fees	-	10,860	-	10,860	5,920
Meals and entertainment	428	3,856	-	4,284	1,815
Interest	132	25	8	165	46,671
Miscellaneous	653	2,975	-	3,628	1,906
Totals	<u>\$ 3,262,766</u>	<u>\$ 92,933</u>	<u>\$ 43,025</u>	<u>\$ 3,398,724</u>	<u>\$ 3,417,379</u>

See notes to financial statements

**CHRISTIAN HEALING NETWORK
dba MISSION MEDICAL CLINIC
NOTES TO FINANCIAL STATEMENTS**

SUMMARY OF ACCOUNTING POLICIES

Organization – Christian Healing Network dba Mission Medical Clinic (Clinic) is incorporated under the laws of the state of Colorado. The Clinic operates primarily on contributions from individuals and churches, with both cash donations and contributed services being significant. The Clinic serves indigent patients in Colorado Springs, Colorado.

The mission of the Clinic is to promote healing in the name of Jesus Christ. The mission includes:

- Establishment of faith-based medical, dental, and psychiatric clinics for the poor and uninsured
- Education of clergy and laity in healing prayer
- Establishment and support of healing prayer in worship and congregational life
- Outreach to community through website information regarding medical services, healing services, and training

The Clinic achieves its mission through their Medical Clinic, Dispensary, Dental Clinic, and Prayer Counseling programs.

Basis of accounting – Financial position and activities are reported in three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Estimates – 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 disclosures 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.

Income tax status – The Clinic is exempt under Section 501(c)(3), of the Internal Revenue Code from tax on income derived from donations, income generated by activities carried on in furtherance of its exempt purpose and certain other specified income and, in addition, is qualified to receive tax deductible contributions.

Definition of cash – For purposes of the statement of cash flows, cash is defined as all cash on hand, demand deposits, and money market accounts.

Pledges receivable – Pledges receivable consists of unconditional promises to give from individuals. These promises to give are recorded as receivables and revenues and the Clinic distinguishes between contributions received for each net asset category in accordance with donor-imposed restrictions. Management closely monitors outstanding pledges receivable and establishes an allowance for doubtful accounts based on its evaluation of collectability. Management believes all outstanding receivables at June 30, 2009 are fully collectible within one year, therefore no allowance has been established.

Inventory – Purchased inventory is recorded at the lower of cost or market, using the first-in, first-out (FIFO) method. Donated inventory is recorded at market value at the date of donation. Inventory consists of medical supplies used in the clinic.

CHRISTIAN HEALING NETWORK
dba MISSION MEDICAL CLINIC
NOTES TO FINANCIAL STATEMENTS

SUMMARY OF ACCOUNTING POLICIES - continued

Property and equipment – Property and equipment is recorded at cost or, if donated, at estimated fair value at the date of receipt. Property and equipment donated with restrictions regarding its use and contributions of cash to acquire property and equipment are reported as restricted support. Absent any donor stipulations, these restrictions expire when the asset is acquired or placed in service, and a reclassification is made from temporarily restricted net assets to unrestricted net assets at that time. Depreciation is provided on the straight-line method over an estimated useful life ranging from three to thirty-nine years. The Clinic capitalizes fixed asset purchases exceeding \$1,000 with lesser amounts expensed in the year purchased.

Support, revenue, reclassifications, and expenses – Revenue is recognized when earned and support when contributions are made, which may be when cash is received, unconditional promises are made, or ownership of other assets is transferred to the Clinic. The Clinic reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated amounts. When a stipulated time restriction ends or purpose restriction is satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Expenses are recorded when costs are incurred. The costs of providing various program services and supporting activities have been summarized on a functional basis. Accordingly, certain costs, such as depreciation and salaries, have been allocated among the program services and supporting activities.

Gifts in kind – Gifts in kind consist of medical supplies. These items are inventoried by the Clinic and then used in its medical clinics.

Contributed services – The Clinic records the value of services received for professional volunteers based on rates ordinarily charged by those volunteers. Services are provided in the medical clinic, pharmacy, and dental clinic. The Clinic also records the value of x-ray, radiological, and laboratory procedures provided by a local hospital. Included in revenue and expense for the year ended June 30, 2009 is \$491,195 of contributed services. In addition to professional personnel, the Clinic also receives contributed services from many other volunteers throughout the year. These latter contributed services relate to various administrative and program areas, and do not meet the criteria for financial statement inclusion under current accounting standards. The estimated value of these services is \$163,000.

Functional expense allocation – The cost of providing the various programs, support services and other activities have been summarized on a functional basis and, accordingly, certain indirect costs have been allocated amount the programs and supporting services benefited.

**CHRISTIAN HEALING NETWORK
dba MISSION MEDICAL CLINIC
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 – FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying value of the Clinic's financial instruments approximate their fair value.

NOTE 2 – PROPERTY AND EQUIPMENT

The following is a summary of property and equipment:

		<u>Estimated useful lives</u>
Medical and computer equipment	\$ 104,551	3-5 years
Furniture	2,870	7 years
Building and improvements	862,156	39 years
Land	110,549	
	<u>1,080,126</u>	
Less accumulated depreciation	(90,660)	
	<u><u>\$ 989,466</u></u>	

Depreciation expense was \$40,262 for 2009.

NOTE 3 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Satisfied</u>	<u>Ending Balance</u>
Dental clinic	\$ 8,504	\$ 15,816	\$ (10,840)	\$ 13,480
Building maintenance	38,823	-	(28,148)	10,675
Payroll assistance	-	135,000	(110,000)	25,000
Time restricted	75,457	98,545	(75,457)	98,545
Total temporarily restricted funds	<u>\$ 122,784</u>	<u>\$ 249,361</u>	<u>\$ (224,445)</u>	<u>\$ 147,700</u>

NOTE 4 – PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets consist of \$50,000 held in trust, allowing the Clinic to receive reimbursable gifts. The funds are restricted and may, with the approval of the trustees, be advanced to the Clinic for operating expenses on the condition the funds are to be reimbursed. Interest earned by the trust may be used for operating expense subject to vote of the trustees. The trustees consist of the donor, the President of the Board, and the Board Treasurer. The Treasurer is a non-voting trustee. At June 30, 2009, \$38,420 has been drawn from the fund.

**CHRISTIAN HEALING NETWORK
dba MISSION MEDICAL CLINIC
NOTES TO FINANCIAL STATEMENTS**

NOTE 5 – CONCENTRATIONS

At June 30, 2009, 99% of receivables were from two donors.

NOTE 6 – FAIR VALUE MEASUREMENTS

The Clinic records certain assets at fair value measured on a recurring basis. The following is a summary of those assets at June 30, 2009:

<u>Description</u>	<u>Fair Value</u>	<u>Level 1 quoted prices in active markets for identical assets</u>	<u>Level 2 significant other observable inputs</u>	<u>Level 3 significant unobservable inputs</u>
Donated inventory	\$ 244,070	\$ 244,070	\$ -	\$ -

NOTE 7 – SUMMARIZED COMPARATIVE INFORMATION

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the organization's financial statements for the year ended June 30, 2008, from which the summarized information was derived.

NOTE 8 – SUBSEQUENT EVENT

Subsequent to year end, the Clinic was notified of suspension of funding for a program that accounted for 35% of contribution and grant revenue received during the year ended June 30, 2009.