



**Martin Luther King Health Center**

**FINANCIAL STATEMENTS**

**May 31, 2023**

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**Carr, Riggs & Ingram, LLC**  
1000 East Preston Avenue  
Suite 200  
Shreveport, LA 71105

Mailing Address:  
P.O. Box 4278  
Shreveport, LA 71134-0278

(318) 222-2222  
(318) 226-7150 (fax)  
CRlcpa.com

## **INDEPENDENT AUDITORS' REPORT**

Board of Directors  
Martin Luther King Health Center  
Shreveport, Louisiana

### **Opinion**

We have audited the accompanying financial statements of Martin Luther King Health Center (the "Clinic") (a nonprofit organization), which comprise the statement of financial position as of May 31, 2023, and the related statement of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Clinic as of May 31, 2023, 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.

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Clinic and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Clinic's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Clinic's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Clinic's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

*Carr, Riggs & Ingram, L.L.C.*

**CARR, RIGGS & INGRAM, LLC**

Shreveport, Louisiana

November 16, 2023

**Martin Luther King Health Center  
Statement of Financial Position**

<i>May 31,</i>	<b>2023</b>
<b>Assets</b>	
Current assets	
Cash	\$ 700,216
Grants and contributions receivable	397,797
Inventory	1,020,545
Other assets	440
Total current assets	2,118,998
Non-current assets	
Property and equipment, net	303,343
Beneficial interest in assets of foundation	6,012
Total non-current assets	309,355
Total assets	\$ 2,428,353
<b>Liabilities and Net Assets</b>	
Current liabilities	
Accounts payable	\$ 13,305
Accrued expenses	14,847
Current portion of long-term debt	16,755
Total current liabilities	44,907
Non-current portion of long-term debt	67,678
Total liabilities	112,585
Net assets	
Without donor restrictions	2,007,348
With donor restrictions	308,420
Total net assets	2,315,768
Total liabilities and net assets	\$ 2,428,353

*The accompanying notes are an integral part of these financial statements.*

**Martin Luther King Health Center**  
**Statement of Activities**

*For the year ended May 31,*

**2023**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Public support, other revenue, and reclassifications			
Contributions			
Cash and other financial assets	\$ 117,912	\$ -	\$ 117,912
Nonfinancial assets (In-Kind)	1,095,996	-	1,095,996
Grants	547,675	399,779	947,454
Total public support	1,761,583	399,779	2,161,362
Other revenue (losses)			
Interest	4,110	-	4,110
Realized and unrealized gains (losses)	(231)	-	(231)
Total other revenue (losses)	3,879	-	3,879
Net assets released from restrictions	110,983	(110,983)	-
Total public support, other revenue, and reclassifications	1,876,445	288,796	2,165,241
Expenses			
Program services			
Health care	1,575,032	-	1,575,032
Supporting services			
General and administrative	145,052	-	145,052
Fundraising	3,482	-	3,482
Total expenses	1,723,566	-	1,723,566
Change in net assets	152,879	288,796	441,675
Net assets, beginning of year	1,854,469	19,624	1,874,093
Net assets, end of year	\$ 2,007,348	\$ 308,420	\$ 2,315,768

*The accompanying notes are an integral part of these financial statements.*

## Martin Luther King Health Center Statement of Functional Expenses

<i>For the year ended May 31, 2023</i>	<u>Program Services</u>	<u>Supporting Services</u>		<u>Total</u>
	Health Care	General and Administrative	Fundraising	
Officers and directors	\$ 148,379	\$ 45,819	\$ -	\$ 194,197
Other salaries and wages	231,866	49,426	-	281,292
Dispensed and expired medications	691,906	-	-	691,906
Health supplies	21,627	-	-	21,627
Software support	7,882	2,216	-	10,099
Depreciation	13,935	4,645	-	18,580
Office expenses	3,373	2,197	-	5,570
Advertising and promotion	15,556	881	-	16,438
Fundraising	-	-	3,482	3,482
Repairs and maintenance	10,002	4,538	-	14,539
Insurance	8,858	4,431	-	13,289
Utilities	12,511	7,155	-	19,666
Travel	56	378	-	435
Contract fees	38,304	-	-	38,304
Postage	1,108	589	-	1,697
Accounting	18,910	13,240	-	32,150
Interest expense	-	4,722	-	4,722
License fees	1,760	785	-	2,546
Miscellaneous	10,011	4,028	-	14,039
In-kind services	66,111	-	-	66,111
In-kind medical fees	272,878	-	-	272,878
	<u>\$ 1,575,032</u>	<u>\$ 145,052</u>	<u>\$ 3,482</u>	<u>\$ 1,723,566</u>

*The accompanying notes are an integral part of these financial statements.*

**Martin Luther King Health Center  
Statement of Cash Flows**

<i>For the year ended May 31,</i>	<b>2023</b>
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Cash flows from operating activities	
Change in net assets	\$ 441,675
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities	
Depreciation	18,580
Non-cash contributions of pharmaceuticals and stock	(753,257)
Non-cash pharmaceutical expense	681,303
Unrealized (gain) loss on beneficial interest in assets of foundation	231
Changes in assets and liabilities:	
(Increase) Decrease in grants and contributions receivable	(368,865)
(Increase) Decrease in inventory	(14,892)
Increase (Decrease) in accounts payable	13,305
Increase (Decrease) in accrued expenses	564
Net cash provided by (used in) operating activities	<b>18,644</b>
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Cash flows from investing activities	
Proceeds from beneficial interest in assets of foundation	243
Proceeds from sale of contributed stock	10,564
Net cash provided by (used in) investing activities	<b>10,807</b>
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Cash flows from financing activities	
Payments on long-term debt	(15,871)
Net cash provided by (used in) financing activities	<b>(15,871)</b>
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Net change in cash	<b>13,580</b>
Cash at beginning of year	<b>686,636</b>
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Cash at end of year	<b>\$ 700,216</b>
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Supplemental Disclosures	
Interest paid	\$ 4,722
Non-cash contributions	\$ 1,095,996
Non-cash pharmaceutical expense	\$ 681,303
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*The accompanying notes are an integral part of these financial statements.*



## Martin Luther King Health Center Notes to the Financial Statements

### **NOTE 1: DESCRIPTION OF THE CLINIC**

Martin Luther King Health Center (the "Clinic") is a Louisiana non-profit corporation chartered on May 22, 1986. The primary purpose of the Clinic is to administer primary medical care for needy residents in the North Louisiana area, especially those with chronic illnesses. Health care providers include, but are not limited to, physicians, nurses, dietitians, pharmacists, and support staff who volunteer their time. The Clinic receives revenue from grants, cash contributions, and in-kind donations.

### **NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### ***Basis of Accounting***

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The Financial Accounting Standards Board (FASB) provides authoritative guidance regarding U.S. GAAP through the Accounting Standards Codification (ASC) and related Accounting Standards Updates (ASUs).

#### ***Use of Estimates***

The preparation of U.S. GAAP financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Estimates that are particularly susceptible to significant change in the near term are related to the useful lives of property and equipment.

#### ***Cash and Cash Equivalents***

Cash and cash equivalents include cash and all highly liquid investments with an original maturity of 90 days or less.

#### ***Accounts Receivable***

Accounts receivable are stated at unpaid balances, less an allowance for doubtful accounts. The Clinic provides for losses on accounts receivable using the allowance method. The allowance is based on experience, third-party contracts, and other circumstances, which may affect the ability of Clinic to meet their obligations.

Receivables are considered impaired if full principal payments are not received in accordance with the contractual terms. It is the Clinic's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected.

## Martin Luther King Health Center Notes to the Financial Statements

### NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### *Promises to Give*

Conditional promises to give are not recognized in the financial statements until the conditions are substantially met or explicitly waived by the donor. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in more than one year are recorded at fair value, which is measured as the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. In the absence of donor stipulations to the contrary, promises with payments due in future periods are restricted to use after the due date. Promises that remain uncollected more than one year after their due dates are written off unless the donors indicate that payment is merely postponed.

#### *Inventory*

Inventories are stated at the lower of cost or net realizable value. Purchased inventory is determined by the first-in, first-out method. Donated inventory cost is determined by the price the Clinic would have incurred if purchasing necessary inventory. When evidence exists that the net realizable value of inventory is lower than its cost, the difference is recognized as a loss in the statement of activities in the period in which it occurs.

#### *Property and Equipment*

All acquisitions of property and equipment in excess of \$1,000 and all expenditures for maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Repairs and maintenance are expensed as incurred. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the property and equipment as follows:

Buildings and improvements	10 – 30 years
Furniture and equipment	5 – 10 years

## Martin Luther King Health Center Notes to the Financial Statements

### NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### ***Net Assets***

The Clinic reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: net assets without donor restrictions and net assets with donor restrictions. Net assets without donor restrictions are resources available to support operations and not subject to donor restrictions. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of the Clinic, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Net assets with donor restrictions are resources that are subject to donor-imposed restrictions. Some restrictions are temporary in nature, such as those that are restricted by a donor for use for a particular purpose or in a particular future period. Other restrictions may be perpetual in nature; such as those that are restricted by a donor that the resources be maintained in perpetuity.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions.

#### ***Revenue Recognition***

Contributions and payments under cost-reimbursable contracts are accounted for under ASC Topic 606, *Revenue from Contracts with Customers* (ASC 606), recognizing revenue when performance obligations under the terms of the contracts with customers are satisfied. Prior to the adoption of ASC 606, the Company recognized revenue when persuasive evidence of an arrangement existed, delivery of products had occurred, the sales price was fixed or determinable and collectability was reasonably assured. Income from grants received in advance are deferred and recognized over the periods to which the dates relate. The Clinic did not have any performance obligation liabilities within the statement of financial position.

Contributions are recognized when cash, other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met or the donor has explicitly released the restriction. Contributions received with donor-imposed restrictions that are met in the same year in which the contributions are received are classified as net assets without donor restrictions.

## Martin Luther King Health Center Notes to the Financial Statements

### NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### ***Donated Assets***

Donated investments and other noncash donations are recorded as contributions at their fair values at the date of donation.

#### ***Donated Services***

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Clinic. Volunteers also provided fund-raising services throughout the year that are not recognized as contributions in the financial statements since the recognition criteria were not met.

#### ***Functional Allocation of Expenses***

Directly identifiable expenses are charged to programs and supporting services. Expenses related to payroll, payroll taxes, and employee benefits are allocated based on actual percentages of time spent in each functional area. Expenses related to maintenance and upkeep of the entire facility are allocated across functional areas based on a fixed percentage.

#### ***Advertising***

Advertising costs are expensed as incurred. Total advertising expenses were \$16,438 for the year ended May 31, 2023.

#### ***Income Taxes***

Under section 501(c)(3) of the Internal Revenue Code, the Clinic is exempt from taxes on income other than unrelated business income. The Clinic did not incur any income on unrelated business income.

The Clinic utilizes the accounting requirements associated with uncertainty in income taxes using the provisions of Financial Accounting Standards Board (FASB) ASC 740, Income Taxes. Using that guidance, tax positions initially need to be recognized in the financial statements when it is more-likely-than-not the positions will be sustained upon examination by the tax authorities. It also provides guidance for derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. As of May 31, 2023, the Clinic has no uncertain tax provisions that qualify for recognition or disclosure in the financial statements. The Clinic believes it is no longer subject to income tax examinations for tax years prior to 2019.

## Martin Luther King Health Center Notes to the Financial Statements

### NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### *Subsequent Events*

Management has evaluated subsequent events through the date that the financial statements were available to be issued, November 16, 2023, and determined there were no events that occurred that required disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

### NOTE 3: LIQUIDITY AND FINANCIAL ASSET AVAILABILITY

The Clinic maintains its financial assets primarily in cash and cash equivalents to provide liquidity to ensure funds are available as the Clinic's expenditures come due. The following reflects the Clinic's financial assets as of the statement of financial position date, reduced by amounts not available for general use within one year of the statement of financial position date because of contractual or donor-imposed restrictions.

<i>May 31,</i>	2023
Financial assets, at year-end	\$ 1,104,025
Less those unavailable for general expenditures within one year, due to:	
Board designated beneficial interest in assets of foundation	(6,012)
Financial assets available to meet cash needs for general expenditures within one year	\$ 1,098,013

Martin Luther King Health Center is substantially supported by grants and contributions. Because a donor's or grant's restriction requires resources to be used in a particular manner or in a future period, the Clinic must maintain sufficient resources to meet those responsibilities to its donors or grantors. Thus, financial assets may not be available for general expenditure within one year. As part of the Clinic's liquidity management, it maintains its funds in cash operating accounts or highly liquid investments in order to meet the needs of general expenditures, liabilities or other obligations as they come due.

**Martin Luther King Health Center  
Notes to the Financial Statements**

**NOTE 4: GRANTS AND CONTRIBUTIONS RECEIVABLE**

Grants and contributions receivable consist of the follow:

<i>May 31,</i>	2023
Give for Good campaign	\$ 25,197
Grant Receivable - Parish of Caddo	9,000
Grant Receivable - Community Foundation	118,420
Grant Receivable - FUMC	4,500
Grant Receivable - Other Grants	235,777
Grant Receivable - VOA	4,903
Total grant and contributions receivable	\$ 397,797

The Clinic did not recognize any bad debts expense for the year ended May 31, 2023. The Clinic provides for losses on receivables using the allowance method. The allowance is based on experience, third-party contracts, and other circumstances, which may affect the ability of members to meet their obligations. The allowance for doubtful accounts at May 31, 2023, was \$0.

**NOTE 5: INVENTORY**

Beginning inventory as of June 1, 2022 was \$944,302. During the year, the Clinic received \$753,257 in donated pharmaceuticals from various sources and purchased \$14,892 of necessary pharmaceuticals not received through donations. Inventory prescriptions filled and disposals totaled \$691,906 during the current year. Ending inventory as of May 31, 2023, totaled \$1,020,545.

The donated pharmaceuticals mentioned above are part of the transactions discussed in Note 10.

**NOTE 6: PROPERTY AND EQUIPMENT, NET**

The components of property and equipment at May 31, 2023, are as follows:

<i>May 31,</i>	2023
Buildings and improvements	\$ 403,778
Land	33,000
Furniture and equipment	95,048
Total property and equipment, cost	531,826
Less accumulated depreciation	(228,483)
Total property and equipment, net	\$ 303,343

Depreciation expense for the year ended May 31, 2023, amounted to \$18,580.

**Martin Luther King Health Center  
Notes to the Financial Statements**

**NOTE 7: LONG-TERM DEBT**

Long-term debt at May 31, 2023 is made up of the following:

<u>May 31,</u>	<u>2023</u>
Mortgage note payable to commercial bank in the original amount of \$250,000, dated January 20, 2020, bearing an interest rate of 5.00%. Interest and principal payments are due monthly beginning February 2020, in the amount of \$1,716 with a balloon payment due January 2025. The note is secured by the property mortgaged. The net book value of the building and land is \$287,965.	\$ 84,433
Less current portion of long-term debt	16,755
Long-term portion	\$ 67,678

Schedule of maturities of long-term debt by fiscal years ending May 31, are as follows:

<u>May 31,</u>	
2024	\$ 16,755
2025	67,678
Thereafter	-
Total	\$ 84,433

Interest expense was \$4,722 for the year ended May 31, 2023.

**NOTE 8: NET ASSETS**

Net assets with donor restrictions for grant contributions for the fiscal year ended May 31, 2023 totaled \$308,420 and is included in cash on the financial statements. The grant restriction is related to the period of performance through fiscal year 2024.

**Martin Luther King Health Center  
Notes to the Financial Statements**

**NOTE 9: GRANT REVENUE**

The Clinic receives grants from federal, state and various local government and private sources during the year. Grants received during the year ended May 31, 2023 are as follows:

<i>Grantor Agency</i>	
City of Shreveport	\$ 15,000
Caddo Parish Commission	18,000
Private foundations and corporate support	914,454
<b>Total grant revenue</b>	<b>\$ 947,454</b>

**NOTE 10: IN-KIND CONTRIBUTIONS**

The Clinic records contributed materials and services at fair value in accordance with FASB ASC Topic 958, *Not-for-Profit Entities*. Martin Luther King Health Center recognized contributed nonfinancial assets within revenue, including pharmaceuticals, in-kind services and medical fees, stock donations and accounting services. The following amounts were recognized as revenues:

<i>For the Year Ended May 31,</i>	Donated Services	Donated Goods	2023
Program Services			
Medications	\$ -	\$ 753,257	\$ 753,257
Supporting Services			
In-kind services	66,111	-	66,111
In-kind medical fees	272,878	-	272,878
Accounting services	3,750	-	3,750
<b>Total in-kind contributions</b>	<b>\$ 342,739</b>	<b>\$ 753,257</b>	<b>\$ 1,095,996</b>

Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions. It is the Clinic's policy to sell all contributed stock immediately upon receipt unless the stock is restricted for use in a specific program by the donor. No stock received during the period were restricted for use.

Contributed pharmaceuticals are not restricted by donors and were utilized in in the normal course of operations of the Clinic. In valuing contributed pharmaceuticals otherwise legally permissible for sale in the United States, the Clinic used prices that the Clinic would have paid if the donations would not have occurred for the donated pharmaceutical items.

Contributed services recognized comprise professional services from medical professionals and laboratories for services rendered for the Clinic and medical fees. Contributed services and medical fees are valued and are reported at the estimated fair value in the financial statements based on current rates for similar professional services.



## Martin Luther King Health Center Notes to the Financial Statements

### **NOTE 11: AGENCY TRANSACTIONS**

As part of ongoing patient assistance programs, the Clinic receives donated pharmaceuticals for the benefit of specific patients. As the Clinic acts only as agent for these donated pharmaceuticals, the effects of their values have not been recorded in the books. The Clinic received \$567,032 in donated pharmaceuticals for the program. As such, the pharmaceuticals received under this program are not included in the Clinic's end of year inventory nor donated revenue or pharmaceutical expense. Likewise, the value of the pharmaceuticals dispensed throughout the year to those patients is not reflected in the Statement of Activities as an expense. The Clinic dispensed \$444,172 of pharmaceuticals under the patient assistance program during the year ended May 31, 2023. The value of inventory held for the patient assistance program as of May 31, 2023, is \$104,457.

### **NOTE 12: CONCENTRATIONS OF CREDIT RISK**

Accounts at each financial institution are insured by the Federal Deposit Insurance Corporation ("FDIC") up to certain limits. At May 31, 2023, Martin Luther King Health Center had deposits of \$453,466 in excess of FDIC insured limits.

### **NOTE 13: DEFINED CONTRIBUTION PLAN**

The Clinic sponsors a defined contribution plan covering all employees with at least one year of service who agree to make contributions to the retirement plan. The Clinic makes 100% matching contributions of the individual employee's contributions to the plan up to 4%. Total expense for the year ended May 31, 2023 was \$12,571.

### **NOTE 14: RELATED PARTIES**

During the year ended May 31, 2023, the Clinic's mortgage on the building and a cash depository account were held by a local bank whose senior vice president is a board member of the Clinic. The board member excuses himself from any deliberations on the building mortgage and the cash depository account.