

GOOD SAMARITAN CLINIC, INC.

Financial Statements

June 30, 2013 and 2012

DHHR - Finance

06/30/13

Date Received

GOOD SAMARITAN CLINIC, INC.
Financial Statements
June 30, 2013 and 2012

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ALICE M. HARRIS, CPA, A.C.

CERTIFIED PUBLIC ACCOUNTANT

Independent Auditor's Report

Board of Directors
Good Samaritan Clinic, Inc.:

Report on the Financial Statements

I have audited the accompanying financial statements of Good Samaritan Clinic Inc (a nonprofit organization), which comprise the statements of financial position as of June 30, 2013 and 2012, and the related statements of activities, functional expenses, 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.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audits. I conducted my audit 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Independent Auditor's Report, Continued

Basis for Qualified Opinion

As explained in the footnotes to the financial statements, pharmaceutical inventory that the Good Samaritan Clinic, Inc., acquired by purchase and gift is not recorded in the financial statements. In my opinion, accounting principles generally accepted in the United States of America require that such donated inventory be recorded at its fair value at the date of receipt. It was not practical to determine the effects of the unrecorded inventory on the financial statements.

Opinion

In my opinion, except for the matter described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Good Samaritan Clinic Inc as of June 30, 2013 and 2012, and the 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

My audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of WV DHHR Funding Status (Schedule 1) and Schedule of Revenues and Expenses – DHHR Funded Programs (Schedule 2) are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated September 30, 2013, on my consideration of Good Samaritan Clinic Inc's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Good Samaritan Clinic Inc's internal control over financial reporting and compliance.

Alice M. Harris, CPA

Alice M. Harris, CPA
September 30, 2013

DHHR - Finance

OCT 21 2013

Date Received

GOOD SAMARITAN CLINIC, INC.
Statements of Financial Position
June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
ASSETS		
Current assets:		
Cash	\$ 70,255	135,602
Accounts and grants receivable	2,335	6,361
Prepaid expenses	5,257	4,571
Deposits	3,625	3,625
Total current assets	81,472	150,159
Property, plant, and equipment:		
Land	50,750	50,750
Buildings and improvements	174,827	174,827
Furniture and equipment	106,232	71,150
	331,809	296,727
Less accumulated depreciation	(124,505)	(110,472)
Net property, plant, and equipment	207,304	186,255
Other assets:		
Investments	179,592	166,591
Total other assets	179,592	166,591
Total assets	\$ 468,368	503,005
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	602	364
Payroll taxes payable	5,662	5,198
Accrued compensated absences	8,346	7,011
Total liabilities	14,610	12,573
Net Assets:		
Unrestricted	453,758	490,432
Temporarily restricted	-	-
Permanently restricted	-	-
Total net assets	453,758	490,432
Total liabilities and net assets	\$ 468,368	503,005

See accompanying notes to financial statements.

GOOD SAMARITAN CLINIC, INC
Statements of Activities
Years ended June 30, 2013 and 2012

	2013				2012			
	Unrestricted	Temporarily restricted	Permanently restricted	Total	Unrestricted	Temporarily restricted	Permanently restricted	Total
Support and Revenue:								
Cash contributions	\$ 9,465	25,765	-	35,230	66,956	-	-	66,956
Non-cash contributions of services	187,095	-	-	187,095	241,970	-	-	241,970
Non-cash contributions of drugs	436,103	-	-	436,103	371,137	-	-	371,137
Grants	230,143	-	-	230,143	195,505	39,526	-	235,031
Medical records reimbursements	866	-	-	866	781	-	-	781
Special events	10,483	-	-	10,483	9,473	-	-	9,473
Loss on disposal of assets	-	-	-	-	(400)	-	-	(400)
Realized and unrealized gain (loss) on investments	9,565	-	-	9,565	(4,510)	-	-	(4,510)
Fees and other income	23,949	-	-	23,949	19,086	-	-	19,086
Interest and dividends	3,463	-	-	3,463	2,623	-	-	2,623
Total revenue before reclassifications	911,132	25,765	-	936,897	902,621	39,526	-	942,147
Reclassifications:								
Net assets released from restrictions	25,765	(25,765)	-	-	39,526	(39,526)	-	-
Total revenue and reclassifications	936,897	-	-	936,897	942,147	-	-	942,147
Expenses:								
Program services	886,848	-	-	886,848	861,508	-	-	861,508
Management and general	77,865	-	-	77,865	66,337	-	-	66,337
Fundraising	8,858	-	-	8,858	12,979	-	-	12,979
Total expenses	973,571	-	-	973,571	940,824	-	-	940,824
Increase in net assets	(36,674)	-	-	(36,674)	1,323	-	-	1,323
Net assets, beginning of year	490,432	-	-	490,432	489,109	-	-	489,109
Net assets, end of year	\$ 453,758	-	-	453,758	490,432	-	-	490,432

See accompanying notes to financial statements

GOOD SAMARITAN CLINIC, INC.
 Statements of Functional Expenses
 Years ended June 30, 2013 and 2012

	2013				2012			
	Program services	Management and general	Fundraising	Total expenses	Program services	Management and general	Fundraising	Total expenses
Salaries	\$ 142,773	47,834	5,842	196,449	135,492	42,742	7,365	185,599
Payroll taxes	12,587	4,218	514	17,319	12,328	3,889	670	16,887
Retirement benefits	3,691	1,236	151	5,078	2,956	932	161	4,049
Contributed services dispensed	187,095	-	-	187,095	241,970	-	-	241,970
Drug contributions dispensed	436,103	-	-	436,103	371,137	-	-	371,137
Insurance	2,777	523	-	3,300	3,138	919	-	4,057
Purchased pharmaceuticals & drugs	12,523	-	-	12,523	10,304	-	-	10,304
Repairs and maintenance	11,281	1,686	-	12,967	4,867	727	-	5,594
Cleaning services	386	58	-	444	445	66	-	511
Bio-Hazard waste disposal	1,528	-	-	1,528	1,300	-	-	1,300
Rent	42,137	6,296	-	48,433	41,530	6,206	-	47,736
Utilities	2,620	392	-	3,012	2,799	418	-	3,217
Telephone	2,634	394	-	3,028	2,235	334	-	2,569
Clinic and medical supplies	658	-	-	658	1,373	-	-	1,373
Dental program expenses	6,925	-	-	6,925	11,525	-	-	11,525
Office supplies	-	3,282	2,288	5,570	-	2,908	4,432	7,340
Postage	-	1,054	-	1,054	-	1,268	22	1,290
Printing	-	329	-	329	-	509	262	771
Professional fees	-	8,223	-	8,223	-	3,200	-	3,200
Other programs	1,670	-	-	1,670	3,456	-	-	3,456
Dues, travel & continuing education	5,711	-	-	5,711	4,420	-	-	4,420
Miscellaneous	1,540	516	63	2,119	2,048	996	67	3,111
Depreciation	12,209	1,824	-	14,033	8,185	1,223	-	9,408
Total expenses	\$ 886,848	77,865	8,858	973,571	861,508	66,337	12,979	940,824

See accompanying notes to financial statements.

GOOD SAMARITAN CLINIC, INC.
Statements of Cash Flows
Years ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities:		
Change in net assets	\$ (36,674)	1,323
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	14,033	9,408
Unrealized gain (loss) on investments	(9,565)	4,510
Loss on disposal of assets	-	400
(Increase) decrease in:		
Accounts and grants receivable	4,026	(1,612)
Prepaid expenses	(686)	208
Deposits	-	-
Increase (decrease) in:		
Accounts payable	238	150
Payroll taxes payable	464	835
Accrued compensated absences	1,335	1,326
Net cash provided by operating activities	<u>(26,829)</u>	<u>16,548</u>
Cash flows from investing activities:		
Proceeds from sales of investments	134,163	100,131
Purchase of investments	(159,406)	(113,224)
Purchase of property and equipment	(13,455)	(13,455)
Net cash used in investing activities	<u>(38,698)</u>	<u>(26,548)</u>
Increase in cash and cash equivalents	<u>(65,527)</u>	<u>(10,000)</u>
Cash and cash equivalents, beginning of year	135,782	145,782
Cash and cash equivalents, end of year	\$ 70,255	135,782
Supplemental cash flow disclosures:		
Cash paid for:		
Income taxes	\$ -	-
Interest	-	-

See accompanying notes to financial statements.

GOOD SAMARITAN CLINIC, INC.
Notes to Financial Statements

NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities - The Good Samaritan Clinic, Inc (the Clinic) was incorporated as a nonprofit organization in the State of West Virginia. The Clinic provides free primary health care to patients who are unable to qualify for Medicaid, Medicare, or health insurance, and whose income level falls below Federal Poverty Income Guidelines.

Basis of Accounting - The financial statements of the Clinic have been prepared on the accrual basis of accounting in accordance with accounting principals generally accepted in the United States of America.

Basis of Presentation - The Clinic has adopted the provisions of Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, an organization is required to report information regarding its financial position and activities according to three classes of net assets as follows:

- Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

- Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the organization and/or passage of time

- Permanently restricted net assets - Net assets subject to donor imposed stipulations that they be maintained permanently by the organization. Generally, the donors of the assets permit the organization to use all or part of the income earned on related investments for general or specific purposes.

Cash and Cash Equivalents - For purposes of the Statements of Cash Flows, the Clinic considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Income Tax Status - The Clinic is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the Clinic qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

For the year ended June 30, 2013, the Organization has determined that no income taxes are due for its activities. Accordingly, no provision for income taxes has been recorded in the accompanying financial statements. The Organization believes it is no longer subject to taxes through income tax examinations for years prior to 2009.

Property and Equipment - All acquisitions of property and equipment and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Maintenance and repairs 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 ranging from five to thirty nine years.

Depreciation expense for the years ended June 30, 2013 and 2012 was \$14,033 and \$9,408, respectively.

Inventory – Inventory of purchased and donated pharmaceuticals have not been recorded in the financial statements. Accounting principles generally accepted in the United States of America require that such inventory be recorded at cost, if purchased, or at the fair market value at the date of donation. The independent auditor’s report has been modified accordingly.

GOOD SAMARITAN CLINIC, INC.
Notes to Financial Statements, Continued

USE OF 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 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

CONCENTRATION OF RISK

The Clinic is economically dependent upon donations of services provided by local hospital and medical professionals. The continued operation of the Clinic depends upon the continued participation of these organizations and individuals.

INVESTMENTS

The amortized cost and estimated fair values of investments at June 30, 2013 are as follows:

	<u>Historical cost</u>	<u>Market value</u>	<u>Unrealized gain (loss)</u>
Mutual funds	\$ 124,549	126,413	1,864
Cash and money market funds	53,179	53,179	-
Total	\$ 177,728	179,592	1,864

The amortized cost and estimated fair values of investments at June 30, 2012 are as follows:

	<u>Historical cost</u>	<u>Market value</u>	<u>Unrealized gain (loss)</u>
Mutual funds	\$ 115,490	111,821	5,167
Cash and money market funds	41,936	54,770	-
Total	\$ 157,426	166,591	5,167

At June 30, 2013 and 2012, following are the types of investments and percentages owned by the Organization:

	<u>2013</u>	<u>2012</u>
Money Market Funds	29.93%	34.79%
Mutual funds	70.07%	65.21%

GOOD SAMARITAN CLINIC, INC.
Notes to Financial Statements, Continued

TEMPORARY RESTRICTIONS ON NET ASSETS

The sources of net assets released from temporary donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of events specified by the donors for the year ended June 30, 2013 were as follows:

	<u>2013</u>	<u>2012</u>
Pharmacy	\$13,040	14,302
Dental services	2,725	11,524
Equipment and other	10,000	13,700
<u>Total</u>	<u>\$ 25,765</u>	<u>39,526</u>

As of June 30, 2013 and 2012 all temporary restricted contributions were expended for their restricted purpose

NON-CASH CONTRIBUTIONS OF DRUGS

The value of donated drugs provided by local pharmacies is estimated at market value and included as support and also as a related expense as dispensed. The total estimated value of contributed drugs was \$436,103 and \$371,137 for the years ended June 30, 2013 and 2012, respectively

NON-CASH CONTRIBUTED SERVICES

Donated services in the amount of \$187,095 and \$241,970 for the years ended June 30, 2013 and 2012, respectively represent services rendered by various hospitals, physicians, dentists, pharmacists, nurses, social workers and counselors have been recorded as in-kind revenues and in-kind expenses. The value of donated services is based upon estimated average fees normally charged by persons rendering the services. These amounts were determined using information provided by Medical Salary Wizard and range from \$14.00 per hour for pharmacy technicians to \$192.50 per hour for a Urologist.

RETIREMENT PLAN

The Clinic maintains a Simplified Employee Pension Plan for all of its eligible employees. The Clinic makes a matching contribution equal to the employee's salary reduction contribution up to 3% of the employee's compensation. Total contributions to the Plan for the years ended June 30, 2013 and 2012 was \$5,078 and \$4,049, respectively.

OPERATING LEASES

Beginning June 1, 2013, the Clinic entered into a non-cancelable lease for its administrative office space expiring May 31, 2014. Monthly rent expense for the fiscal years ended June 30, 2013 and 2012 was \$3,625. Future minimum lease obligations under this lease are as follows:

2014	\$ 39,875
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Schedule 1

GOOD SAMARITAN CLINIC, INC
 Schedule of WV DHHR Funding Status
 Year ended June 30, 2013

	Agreement
	<u>Total</u>
State Assigned Account Number	G130004
Amount of Award	212,418
Amount Earned & Billed to DHHR through year end and qualifying expenses for prior year's (budgetary) deferred revenue.	<u>212,418</u>
Budgetary surplus (deficit) (1)	<u><u>-</u></u>
Amount not earned but billed to DHHR through year-end (1)	<u><u>-</u></u>
Amount not billed to DHHR through year-end	<u><u>-</u></u>
Amount collected by year-end	<u><u>212,418</u></u>

See accompanying independent auditor's report

Schedule 2

GOOD SAMARITAN CLINIC, INC.
 Schedule of Revenues & Expenses - DHHR Funded Programs
 Year ended June 30, 2013

	G130004 DHHR Total
Revenues:	
State awards (1)	212,418
Other grants and fees	97,789
Interest	26
Total revenues	310,233
Expenses:	
Salaries	196,449
Fringe benefits and taxes	22,387
Telephone & utilities	6,040
Occupancy	48,433
Professional fees	3,200
Maintenance and repairs	12,967
Capital expenditures	-
Office supplies	5,570
Other expenses	31,881
Total expenses	326,927
Excess (deficit) of revenue over expenses	(16,694)

See accompanying independent auditor's report.

(1) Current year deficit is covered by other grants and fees generated by the Clinic.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING
STANDARDS***

To the Board of Directors of
Good Samaritan Clinic, Inc.

We have audited, in accordance with the 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, the financial statements of Good Samaritan Clinic, Inc (a nonprofit organization), which comprise the statement of financial position as of June 30, 2013, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 30, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Good Samaritan Clinic, Inc's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Good Samaritan Clinic, Inc's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies. (2013-1)

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT
AUDITING STANDARDS, CONTINUED***

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Good Samaritan Clinic, Inc's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Good Samaritan Clinic, Inc's Response to Findings

Good Samaritan Clinic, Inc's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Good Samaritan Clinic, Inc's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Alice M. Harris, CPA

Alice M. Harris, CPA
September 30, 2013

DHHR - Finance

Date Received

GOOD SAMARITAN CLINIC, INC
Schedule of Findings and Questioned Costs and Corrective Action Plan

Financial Statement Findings

Finding 2013-1 Lack of Ideal Segregation of Duties (Repeated from Prior Years)

Condition The segregation of duties and responsibilities with persons who initiate transactions, record transactions, and reconcile the accounts these transactions affect is not desirable from a control point of view. The basic premise is that no one employee should have access to both physical assets and the related accounting records or to all phases of transactions.

Criteria or specific requirement Segregation of duties involves the assignment of responsibilities in such a way that different employees handle different parts of the same transaction. Anyone who records transactions or has access to assets ordinarily is in a position to perpetrate errors or irregularities. Appropriate segregation of duties helps to detect errors in a timely manner and deter improper activities

Context: The employee who prepares checks, enters cash receipts, and prepares payroll also reconciles the Center's bank accounts and is an authorized check signer. I recommend that a responsible official, not involved in entering information into the accounting software, receive the bank statement from the bank unopened and review its contents for reasonableness and accuracy. Additionally, controls would be improved if the Bookkeeper were not an authorized check signer and the reconciliations were performed by a responsible official not involved in the disbursements process.

Effect: The lack of segregation of duties could increase the risk that misstatements, errors or fraud could occur and go undetected

Cause: This situation is typical for an organization of this size. Due to constraints in funding, accounting and management staff sizes are minimal making ideal segregation of duties impossible. The most effective controls lie in the Board's level of monitoring and oversight of matters relating to the Organization's operations. Current levels of Board monitoring need to be expanded to include the bank reconciliation process.

Agency Response: To the extent possible, we separate the financial responsibilities. We have recently added additional procedures to help mitigate the lack of ideal segregation of duties. Specifically, from time to time a member of the Board of Directors reviews the completed bank reconciliation and we require two signatures for any check in excess of \$5,000.