

**National Association
of Free and Charitable Clinics, Inc.**

FINANCIAL STATEMENTS

December 31, 2017 and 2016

National Association of Free and Charitable Clinics, Inc.

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INDEPENDENT AUDITOR'S REPORT

Board of Directors of
National Association of Free and Charitable Clinics, Inc.
Alexandria, Virginia

We have audited the accompanying financial statements of the National Association of Free and Charitable Clinics, Inc. (a not-for-profit organization) which comprise the statements of financial position as of December 31, 2017 and 2016, 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

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we 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 Foundation'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 Foundation's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the National Association of Free and Charitable Clinics, Inc. as of December 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Weil, Akman, Baylin & Coleman, P.A.

Timonium, Maryland
September 5, 2018

National Association of Free and Charitable Clinics, Inc.

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31,

2017

2016

ASSETS

Current assets

Cash and cash equivalents	\$ 147,877	\$ 104,436
Investments	451,410	413,871
Contributions receivable	34,922	66,484
Other receivables	-	3,000
Prepaid expenses	25,540	19,662
Total current assets	659,749	607,453
Computers and equipment, net	26,579	18,935
Security deposit	26,760	26,760
Total assets	\$ 713,088	\$ 653,148

2017**2016****LIABILITIES AND NET ASSETS****Current liabilities**

Accounts payable	\$ 118,004	\$ 34,867
Accrued expenses	106,147	43,941
Deferred revenue	110,666	74,862

Total current liabilities

334,817	153,670
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Net assets

Unrestricted	252,145	364,352
Temporarily restricted	126,126	135,126

Total net assets

378,271	499,478
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Total liabilities and net assets

\$ 713,088	\$ 653,148
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National Association of Free and Charitable Clinics, Inc.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues, gains, and other support			
Donations and grants	\$ 821,465	\$ 36,000	\$ 857,465
Donated services	125,900	-	125,900
Symposium income	160,053	-	160,053
Member dues	210,389	-	210,389
Other income	-	-	-
Portfolio income	11,923	-	11,923
Net unrealized gain on investment	45,372	-	45,372
Net assets released from restrictions	45,000	(45,000)	-
Total revenues, gains, and other support	<u>1,420,102</u>	<u>(9,000)</u>	<u>1,411,102</u>
Expenses			
Program expense	1,244,637	-	1,244,637
General and administrative	251,605	-	251,605
Fundraising	36,067	-	36,067
Total expenses	<u>1,532,309</u>	<u>-</u>	<u>1,532,309</u>
Changes in net assets	(112,207)	(9,000)	(121,207)
Net assets - beginning of year	<u>364,352</u>	<u>135,126</u>	<u>499,478</u>
Net assets - end of year	<u>\$ 252,145</u>	<u>\$ 126,126</u>	<u>\$ 378,271</u>

National Association of Free and Charitable Clinics, Inc.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues, gains, and other support			
Donations and grants	\$ 414,582	\$ 89,150	\$ 503,732
Donated services	376,364	-	376,364
Symposium income	182,406	-	182,406
Member dues	207,115	-	207,115
Other income	98	-	98
Portfolio income	29,728	-	29,728
(Loss) on disposal of property and equipment	(83)	-	(83)
Net unrealized (loss) on investment	41,615	-	41,615
Net assets released from restrictions	103,324	(103,324)	-
Total revenues, gains, and other support	<u>1,355,149</u>	<u>(14,174)</u>	<u>1,340,975</u>
Expenses			
Program expense	1,754,457	-	1,754,457
General and administrative	237,966	-	237,966
Fundraising	78,159	-	78,159
Total expenses	<u>2,070,582</u>	<u>-</u>	<u>2,070,582</u>
Changes in net assets	(715,433)	(14,174)	(729,607)
Net assets - beginning of year	<u>1,079,785</u>	<u>149,300</u>	<u>1,229,085</u>
Net assets - end of year, as restated	<u>\$ 364,352</u>	<u>\$ 135,126</u>	<u>\$ 499,478</u>

National Association of Free and Charitable Clinics, Inc.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Program Expense</u>	<u>General & Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Bank fees	\$ -	\$ 12,033	\$ -	\$ 12,033
Depreciation	-	10,341	-	10,341
Donated services	125,900	-	-	125,900
Grants for members	230,500	-	-	230,500
Employee benefits	25,431	16,891	2,277	44,599
Insurance	8,499	7,115	-	15,614
Marketing	32,802	5,042	-	37,844
Meetings	2,608	20,170	-	22,778
Office and printing	793	4,357	-	5,150
Postage and shipping	16,761	61	-	16,822
Professional fees	161,276	80,983	3,000	245,259
Rent	84,068	22,863	7,598	114,529
Salaries	259,544	70,862	23,192	353,598
Program services - Symposium	246,707	-	-	246,707
Telephone and website	18,777	472	-	19,249
Travel	30,971	415	-	31,386
Total expenses	\$ 1,244,637	\$ 251,605	\$ 36,067	\$ 1,532,309

National Association of Free and Charitable Clinics, Inc.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Program Expense</u>	<u>General & Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Bank fees	\$ -	\$ 10,734	\$ -	\$ 10,734
Program services - C.A.R.E. Clinics	395,616	-	4,970	400,586
Contributions	-	4,250	-	4,250
Data processing	4,800	-	-	4,800
Depreciation	-	9,845	-	9,845
Program services - Donated Services	368,364	-	8,000	376,364
Dues and subscriptions	2,547	-	-	2,547
Employee benefits	31,098	15,378	1,081	47,557
Equipment rental	-	1,296	-	1,296
Insurance	-	8,376	-	8,376
Marketing	18,139	4,500	14,785	37,424
Meetings	116	17,687	-	17,803
Office and printing	11,477	5,743	1,647	18,867
Postage and shipping	2,362	1,783	83	4,228
Professional fees	111,349	78,582	27,500	217,431
Rent	121,592	21,108	4,254	146,954
Salaries	308,425	54,835	10,791	374,051
Program services - Symposium	353,587	-	4,622	358,209
Telephone and website	14,863	1,566	-	16,429
Travel	10,122	2,283	426	12,831
Total expenses	\$ 1,754,457	\$ 237,966	\$ 78,159	\$ 2,070,582

National Association of Free and Charitable Clinics, Inc.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31,

2017

2016

Cash flows from operating activities:

Changes in net assets	\$ (121,207)	\$ (729,607)
Adjustments to reconcile changes in net assets to net cash (used) by operating activities:		
Depreciation	10,341	9,845
Unrealized (gain) loss on investments	(45,372)	(41,615)
Loss on disposal of property and equipment	-	83
(Increase) decrease in assets:		
Contributions receivable	31,562	(55,284)
Other receivable	3,000	(3,000)
Prepaid expenses	(5,878)	67,417
Increase (decrease) in liabilities:		
Accounts payable	83,137	(7,490)
Accrued expenses	62,206	9,627
Deferred revenue	35,804	(50,766)

Net cash (used) by operating activities

53,593 (800,790)

Cash flows from investing activities:

Acquisition of property and equipment	(17,985)	(3,073)
Proceeds on sale of securities	63,215	453,060
Investment in securities	(55,382)	(73,459)

Net cash provided (used) by investing activities

(10,152) 376,528

Net (decrease) in cash and cash equivalents

43,441 (424,262)

Cash and cash equivalents - beginning of year

104,436 528,698

Cash and cash equivalents - end of year

\$ 147,877 \$ 104,436

National Association of Free and Charitable Clinics, Inc.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017 and 2016

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

The National Association of Free and Charitable Clinics, Inc. (the Association) is a not-for-profit corporation. The Association's mission is to ensure that the medically underserved have access to quality health care and the vision is to be a national voice promoting quality health care for all. The Association provides direct patient care through one day health clinics, health education and training to volunteers and 1,200 clinics across the United States of America. The Association is supported primarily through donations, grants, and member dues.

Method of Accounting

The financial statements are prepared on the accrual basis of accounting.

Basis of Presentation

Financial statement presentation follows the recommendations of the Not-for-Profit Entities Topic of the FASB Accounting Standards Codification. Under this Topic, the Association is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. There were no permanently restricted net assets for the years ended December 31, 2017 and 2016.

Cash and Cash Equivalents

The Association considers all highly liquid financial instruments purchased with a maturity of three months or less to be cash equivalents. The Association maintains their cash in bank deposit accounts which, at times, may exceed federally insured limits. The Association has not experienced any losses in such accounts. The Association's management believes they are not exposed to any significant credit risk on their balances.

Depreciation

Computers and equipment are stated at cost when purchased or fair value at date of donation for donated items. Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

Computer equipment	5 years
Website	3 years
Furniture	5 years
Software	3 years

Income Taxes

The Association is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Association's tax-exempt purpose is subject to taxation as unrelated business income. The Association had no unrelated business income for the years ended December 31, 2017 and 2016.

The Association believes that it has appropriate support for any tax position taken, and as such, does not have any uncertain tax positions that are material to the financial statements. The Association files its forms 990 in the U.S. federal jurisdiction and various states. The Association is generally no longer subject to examination by the Internal Revenue Service for years before 2013.

National Association of Free and Charitable Clinics, Inc.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017 and 2016

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statements of Activities as net assets released from restrictions.

Donated Securities

Donated marketable securities and other noncash donations are recorded as contributions at their fair values at the date of donation. The policy of the Association is to sell the securities upon receipt.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the Statements of Activities and in the Statements of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Contributions Receivable

Contributions receivable are recorded at the amount expected to be collected. Management reviews receivables at year end to determine the collectability of them on an individual basis. No allowance against contributions receivable is provided because the full value is expected to be collected within one year.

Investments

The Not-for-Profit Entities Topic of the FASB Accounting Standards Codification requires that investments in equity securities with readily determinable fair values and all investments in debt securities are reported at their fair value in the Statement of Financial Position. The unrealized gains and losses are included in the change in unrestricted net assets.

Fair Value

The Association follows the Fair Value Measurement and Disclosure Topic of the FASB Accounting Standards Codification, which provides a framework for measuring the fair value of assets and liabilities. The Topic also provides guidance regarding a fair value hierarchy, which prioritizes information used to measure fair value and the effect of fair value measurements on earnings and provides for enhanced disclosures determined by the level within the hierarchy of information used in the valuation. The Topic applies whenever other standards require (or permit) assets or liabilities to be measured at fair value but does not expand the use of fair value in any new circumstances.

National Association of Free and Charitable Clinics, Inc.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017 and 2016

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value (continued)

The three levels of the fair value hierarchy and investments that fall into each of the levels are described below:

- **Level 1:** Level 1 inputs are unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.
- **Level 2:** Level 2 inputs are other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- **Level 3:** Level 3 inputs are unobservable and cannot be corroborated by observable market data. They are based on the best information available in the circumstances.

Deferred Revenue

Income from membership dues is deferred and recognized over the periods to which the dues relate.

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 Association. The Association receives donated services from doctors, nurses, and other professionals and recognizes such items at fair value.

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, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

National Association of Free and Charitable Clinics, Inc.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017 and 2016

NOTE B. CONTRIBUTIONS RECEIVABLE, net

Contributions receivable, net consists of grant funds to be received in future periods ranging between one and seven years. The amounts to be received in future periods has been discounted at 5.00% and 4.25%, the current prime rate set by the Federal Reserve of the United States of America. The discount on grant funds of \$4,878 and \$4,216 are included as a reduction to donations and grants income on the statement of activities for the years ended December 31, 2017 and 2016, respectively.

At December 31, contributions receivable consisted of the following:

	<u>2017</u>	<u>2016</u>
Accounts receivable	\$ 39,800	\$ 70,700
Less: discount on grant funds	<u>(4,878)</u>	<u>(4,216)</u>
	<u>\$ 34,922</u>	<u>\$ 66,484</u>

NOTE C. COMPUTERS AND EQUIPMENT, net

At December 31, property and equipment consisted of the following:

	<u>2017</u>	<u>2016</u>
Computer equipment	\$ 29,833	\$ 11,848
Website	20,064	20,064
Furniture	1,611	1,611
Software	<u>3,201</u>	<u>3,201</u>
	54,709	36,724
Less: accumulated depreciation	<u>(28,130)</u>	<u>(17,789)</u>
Property and equipment, net	<u>\$ 26,579</u>	<u>\$ 18,935</u>
Depreciation	<u>\$ 10,341</u>	<u>\$ 9,845</u>

NOTE D. INVESTMENTS

The following table reflects a summary of investments held by the Association as of December 31:

<u>Investments</u>	<u>2017</u>		<u>2016</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Stocks and ETFs	\$ 110,639	\$ 169,614	\$ 128,677	\$ 150,187
Preferred securities	18,640	19,557	23,212	23,901
Open end mutual funds	<u>256,276</u>	<u>262,239</u>	<u>242,153</u>	<u>239,783</u>
Total investments	<u>\$ 385,555</u>	<u>\$ 451,410</u>	<u>\$ 394,042</u>	<u>\$ 413,871</u>

National Association of Free and Charitable Clinics, Inc.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017 and 2016

NOTE E. COMMITMENTS

Operating Lease

The Association leases office space and parking spaces in Virginia under a lease agreement which expires October 31, 2018. The Association's lease will auto renew at the expiration of the current lease for consecutive 12 month periods at an increased monthly charge of 5%. Rent expense was \$114,529 and \$146,954 for the years ended December 31, 2017 and 2016, respectively.

At December 31, 2017, the remaining minimum payments required under the office leases are as follows:

October 31, 2018	\$	108,158
2019		<u>90,132</u>
Total future minimum lease payments	\$	<u>198,290</u>

The Association leases parking spaces for its employees and members. The cost ranged between \$540 and \$780 for the years ended December 31, 2017 and 2016.

The Association entered into a management services contract to increase donations and recognition of the Association which expires May 15, 2017. The monthly cost of the contract is \$1,400 per month plus additional out of pocket expenses. Total expenses incurred were \$10,500 and \$10,500 for the years ended December 31, 2017 and 2016, respectively and are included in marketing expense.

Future minimum management services payments	\$	<u>5,600</u>
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NOTE F. DEFERRED REVENUE

The change in the Association's deferred revenue account for the years ended December 31, 2017 and 2016 is comprised of the following:

	<u>2017</u>	<u>2016</u>
Balance at beginning of year	\$ 74,862	\$ 125,628
Additions:		
Memberships sold	246,194	212,217
Grants, Summit and C.A.R.E. Clinics	-	27,150
Reductions:		
Memberships sold	(210,389)	(207,115)
Grants and Summit	-	(83,018)
Balance at end of year	\$ <u>110,667</u>	\$ <u>74,862</u>

National Association of Free and Charitable Clinics, Inc.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017 and 2016

NOTE G. DONATED SERVICES

The fair value of donated services included as contributions in the financial statements and the corresponding program expenses are as follows for the years ended December 31:

	<u>2017</u>	<u>2016</u>
Program services - C.A.R.E. Clinics		
Legal expenses	\$ 119,400	\$ 59,950
Medical professional services	-	138,000
Supplies	6,500	16,986
Fundraising consulting services	-	8,000
	<hr/>	<hr/>
Total	\$ 125,900	\$ 222,936

NOTE H. NATIONAL C.A.R.E CLINICS

The Association was a participant in a grassroots effort to raise funds and awareness in regards to the free clinics throughout the United States of America. This effort was able to raise a significant amount of funding in order to conduct large scale free clinic operations in the metropolitan areas throughout the United States of America. The following is a summary of the expenditures by location for these care clinics for the years ended December 31:

	<u>2017</u>	<u>2016</u>
Restricted donations received	\$ -	\$ 133,405
Sponsorships	-	60,000
Unrestricted donations used for C.A.R.E. Clinics	-	-
	<hr/>	<hr/>
Total	\$ -	\$ 193,405

	<u>2017</u>	<u>2016</u>
Kanas City, Missouri C.A.R.E. Clinic	\$ -	\$ 294,084
Charlotte, North Carolina C.A.R.E. Clinic	-	-
New Orleans, Louisiana C.A.R.E. Clinic	-	-
Dallas, Texas C.A.R.E. Clinic	-	-
General expenses used for C.A.R.E. Clinics	-	18,017
	<hr/>	<hr/>
Total	\$ -	\$ 312,101

NOTE I. TEMPORARILY RESTRICTED NET ASSETS

At December 31, 2017 and 2016, temporarily restricted net assets consisted of remaining grants or donations that fund technology, staffing, general capacity expansion, technical assistance development and volunteer outreach and marketing expansion of the Association. The remaining balances in temporarily restricted net assets of \$126,126 and \$135,126 at December 31, 2017 and 2016, respectively, are to be spent in future years for the specific purposes mentioned above.

National Association of Free and Charitable Clinics, Inc.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017 and 2016

NOTE J. EMPLOYEE RETIREMENT PLAN

The Association has a 403(b) Plan covering essentially all employees that was implemented in February 2012. Employees are eligible for a 3% match from the Association. The Association contributed \$10,507 and \$10,156 to the Plan for the years ended December 31, 2017 and 2016, respectively and are included in employee benefits.

NOTE K. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair values of assets measured on a recurring basis are as follows at December 31:

	<u>Fair Value</u>	<u>Quoted Prices In Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
2017				
Stocks and ETFs	\$ 169,614	\$ 169,614	\$ -	\$ -
Preferred securities	19,557	19,557	-	-
Open end mutual funds	<u>262,239</u>	<u>262,239</u>	<u>-</u>	<u>-</u>
Total assets at fair value	<u>\$ 451,410</u>	<u>\$ 451,410</u>	<u>\$ -</u>	<u>\$ -</u>
2016				
Stocks and ETFs	\$ 150,187	\$ 150,187	\$ -	\$ -
Preferred securities	23,901	23,901	-	-
Open end mutual funds	<u>239,783</u>	<u>239,783</u>	<u>-</u>	<u>-</u>
Total assets at fair value	<u>\$ 413,871</u>	<u>\$ 413,871</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE L. SUBSEQUENT EVENTS

In preparing these financial statements, the Association has evaluated events and transactions subsequent to December 31, 2017 through **REPORT DATE**, the date these financial statements were available to be issued. As required by the Subsequent Events Topic of the FASB Accounting Standards Codification, the Association is not aware of any subsequent events which would require recognition or disclosure in the financial statements.