

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

*FINANCIAL STATEMENTS*

December 31, 2018

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

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**Weil, Akman, Baylin & Coleman, P.A. Certified Public Accountants**

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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 corporation) which comprise the statement of financial position as of December 31, 2018, and the related statement of activities, functional expenses, and cash flows for the year 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 Association'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 Association'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, 2018, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

Timonium, Maryland  
July 25, 2019

# National Association of Free and Charitable Clinics, Inc.

## STATEMENT OF FINANCIAL POSITION

DECEMBER 31,

2018

### ASSETS

#### Current assets

Cash and cash equivalents	\$ 85,921
Investments	455,352
Contributions receivable	36,965
Prepaid expenses	<u>43,321</u>

**Total current assets** 621,559

**Property and equipment, net** 23,799

**Security deposit** 34,070

**Total assets** \$ 679,428

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**LIABILITIES AND NET ASSETS****Current liabilities**

Accounts payable	\$ 182,283
Accrued expenses	46,530
Deferred rent	7,377
Deferred revenue	<u>145,248</u>

**Total current liabilities** 381,438

**Net assets without donor restrictions** 297,990

**Total liabilities and net assets** \$ 679,428

# National Association of Free and Charitable Clinics, Inc.

## STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2018

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	<u>Total</u>
<b>Revenues, gains, and other support without donor restrictions</b>	
Donations and grants	\$ 2,842,539
Donated services	200,090
Symposium income	231,320
Member dues	243,839
Portfolio income	9,921
	<hr/>
<b>Total revenues, gains, and other support without donor restrictions</b>	<b>3,527,709</b>
<b>Expenses</b>	
Program expense	3,294,473
General and administrative	265,759
Fundraising	20,996
	<hr/>
<b>Total expenses</b>	<b>3,581,228</b>
<b>Change in net assets from operations without donor restrictions</b>	(53,519)
<b>Nonoperating activities</b>	
Investment return, net	(26,762)
	<hr/>
<b>Change in net assets without donor restriction</b>	(80,281)
<b>Net assets without donor restrictions - beginning of year</b>	378,271
	<hr/>
<b>Net assets without donor restrictions - end of year</b>	<b>\$ 297,990</b>

# National Association of Free and Charitable Clinics, Inc.

## STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Program Expense</u>	<u>General &amp; Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Bank fees	\$ -	\$ 15,637	\$ -	\$ 15,637
Depreciation	-	10,301	-	10,301
Donated Services	200,090	-	-	200,090
Grants for members	2,199,647	-	-	2,199,647
Employee benefits	30,263	13,196	1,422	44,881
Insurance	708	7,918	-	8,626
Marketing	29,068	18,067	250	47,385
Meetings	114	13,535	-	13,649
Office and printing	1,394	12,285	-	13,679
Postage and shipping	14,389	534	-	14,923
Professional fees	147,557	87,608	-	235,165
Rent	88,161	17,377	4,511	110,049
Salaries	285,237	68,603	14,813	368,653
Program services - Symposium	246,657	-	-	246,657
Telephone and website	27,474	180	-	27,654
Travel	23,714	518	-	24,232
<b>Total expenses</b>	<b>\$ 3,294,473</b>	<b>\$ 265,759</b>	<b>\$ 20,996</b>	<b>\$ 3,581,228</b>

# National Association of Free and Charitable Clinics, Inc.

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31,

2018

<b>Cash flows from operating activities:</b>	
Changes in net assets	\$ (80,281)
Adjustments to reconcile changes in net assets to net cash (used) by operating activities:	
Depreciation	10,301
Unrealized loss on securities	26,762
 (Increase) decrease in assets:	
Contributions receivable	(2,043)
Prepaid expenses	(17,781)
Security deposit	(7,310)
 Increase (decrease) in liabilities:	
Accounts payable	64,279
Accrued expenses	(59,617)
Deferred rent	7,377
Deferred revenue	34,582
	<hr/>
<b>Net cash (used) by operating activities</b>	<b>(23,731)</b>
 <b>Cash flows from investing activities:</b>	
Acquisition of property and equipment	(7,521)
Proceeds on sale of securities	105,382
Investment in securities	(136,086)
	<hr/>
<b>Net cash (used) by investing activities</b>	<b>(38,225)</b>
 <b>Net (decrease) in cash and cash equivalents</b>	<b>(61,956)</b>
 <b>Cash and cash equivalents - beginning of year</b>	<b>147,877</b>
	<hr/>
<b>Cash and cash equivalents - end of year</b>	<b>\$ 85,921</b>



# National Association of Free and Charitable Clinics, Inc.

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018

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### 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 year ended December 31, 2018.

**Net assets without donor restrictions:** Net assets that are not subject to donor-imposed restrictions and may be expanded for any purpose in performing the primary objectives of the Association. These net assets may be used at the discretion of the Association's management and board of directors.

**Net assets with donor restrictions:** Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Association or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restriction. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

#### **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.

# National Association of Free and Charitable Clinics, Inc.

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018

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### NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### **Depreciation**

Property 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 year ended December 31, 2018.

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.

#### **Functional Expenses**

The costs of providing program and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among program services and management and general. Such allocations are determined by management on an equitable

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expense require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include rent, repairs and maintenance, taxes, and utilities, which are allocated on a square-footage basis, as well as salaries and benefits, which are allocated on the basis of estimates of time and effort.

#### **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.

# National Association of Free and Charitable Clinics, Inc.

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018

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### NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### **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.

#### **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.

# National Association of Free and Charitable Clinics, Inc.

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018

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### NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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, 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.

#### New Accounting Pronouncement

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) - *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Association has adopted this update for its year ending December 31, 2018, and has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

In May 2014, and in subsequent updates, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606), which supersedes the revenue recognition requirements in Topic 605, *Revenue Recognition*, including most industry-specific requirements. Topic 606 establishes a five-step revenue recognition process in which an entity will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the Association expects to be entitled in exchange for those goods or services. Topic 606 also requires enhanced disclosures regarding the nature, amount, timing and uncertainty of revenues and cash flows from contracts with customers. This standard is effective for our Association for annual periods beginning after December 15, 2018. As such, we will be required to adopt this standard in 2019. The adoption of these ASUs is not expected to have a material impact on the Association's financial position, changes in net assets or cash flows or its business processes, systems and controls.

In February 2016, the FASB issued ASU No. 2016-02, *Leases* (Topic 842), which requires a lessee to recognize assets and liabilities on the statement of financial position for those leases classified as operating leases under previous guidance. Assets previously recorded as capital leases will be recorded as finance leases. This standard is effective for our Association for annual periods beginning after December 15, 2019. As such, we will be required to adopt this standard in 2020. This standard requires adoption based upon a modified retrospective transition approach, with early adoption permitted. Based on a preliminary assessment, we expect that most of our operating lease commitments will be subject to the new guidance and recognized as operating lease liabilities and right-of-use assets upon adoption, resulting in a significant increase in the assets and liabilities on our statements of financial position. The Association is evaluating the new guidance and plans to provide additional information about its expected financial impact at a future date.

# National Association of Free and Charitable Clinics, Inc.

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018

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### NOTE B. AVAILABILITY AND LIQUIDITY

The following represents The National Association of Free and Charitable Clinic's financial assets at December 31, 2018:

#### Financial assets at year end

Cash and cash equivalents	\$ 85,921
Contributions receivable	36,965
Investments	<u>455,352</u>
<b>Total financial assets available to meet general expenditures over the next twelve months</b>	<b><u>\$ 578,238</u></b>

National Association of Free and Charitable Clinics board approved policy is to maintain 25% of forecasted annual operating expenses in available and unrestricted cash, cash equivalents and investment funds. Additionally, the CEO will not borrow from operating reserves, which comprises non-designated accumulated excess revenues, any amount greater than what can be replenished by certain and otherwise unencumbered revenues within 120 days.

### NOTE C. PROPERTY AND EQUIPMENT, net

At December 31, 2018, property and equipment consisted of the following:

Computer equipment	\$ 29,833
Website	20,064
Furniture	9,132
Software	<u>3,201</u>
	62,230
Less: accumulated depreciation	<u>(38,431)</u>
<b>Property and equipment, net</b>	<b><u>\$ 23,799</u></b>
<b>Depreciation</b>	<b><u>\$ 10,301</u></b>

# National Association of Free and Charitable Clinics, Inc.

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018

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### NOTE D. INVESTMENTS

The following table reflects a summary of investments held by the Association as of December 31, 2018:

<u>Investments</u>	<u>Cost</u>	<u>Market</u>
Stocks and ETFs	\$ 107,734	\$ 153,294
Preferred securities	18,640	19,080
Open end mutual funds	<u>292,184</u>	<u>282,978</u>
<b>Total investments</b>	<b>\$ 418,558</b>	<b>\$ 455,352</b>

### NOTE E. COMMITMENTS

#### Operating Lease

The Association leases office space and parking spaces in Virginia under a lease agreement which expires September 31, 2021. The Association's lease is paid monthly with an adjustment of 3% of the monthly charge each year. Rent expense was \$110,049 for the year ended December 31, 2018.

At December 31, 2018, the remaining minimum payments required under the office lease are as follows:

December 31, 2019	\$ 88,528
2020	90,964
2021	<u>69,676</u>
<b>Total future minimum lease payments</b>	<b>\$ 249,168</b>

### NOTE F. DEFERRED REVENUE

The change in the Association's deferred revenue account for the year ended December 31, 2018 is comprised of the following:

<b>Balance at beginning of year</b>	\$ 110,667
Additions:	
Memberships sold	278,420
Reductions:	
Memberships sold	<u>(243,839)</u>
<b>Balance at end of year</b>	<b>\$ 145,248</b>

# National Association of Free and Charitable Clinics, Inc.

## NOTES TO THE FINANCIAL STATEMENTS

**DECEMBER 31, 2018**

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### 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 year ended December 31, 2018:

Program services	
Legal expenses	\$ 95,520
Supplies	16,570
Fundraising services	<u>88,000</u>
<b>Total</b>	<b><u>\$ 200,090</u></b>

### NOTE H. 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 \$11,256 to the Plan for the year ended December 31, 2018.

### NOTE I. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair values of assets measured on a recurring basis are as follows at December 31, 2018:

	<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>
Stocks and ETFs	\$ 153,294	\$ 153,294	\$ -	\$ -
Preferred securities	19,080	19,080	-	-
Open end mutual funds	<u>282,978</u>	<u>282,978</u>	<u>-</u>	<u>-</u>
Total assets at fair value	<b><u>\$ 455,352</u></b>	<b><u>\$ 455,352</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>

### NOTE J. SUBSEQUENT EVENTS

In preparing these financial statements, the Association has evaluated events and transactions subsequent to December 31, 2018 through XX, 2019, 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.