

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

FINANCIAL STATEMENTS

December 31, 2020 and 2019

National Association of Free and Charitable Clinics, Inc.

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS:	
STATEMENTS OF FINANCIAL POSITION	2
STATEMENTS OF ACTIVITIES	3 - 4
STATEMENTS OF FUNCTIONAL EXPENSES	5 - 6
STATEMENTS OF CASH FLOWS	7
NOTES TO THE FINANCIAL STATEMENTS	8 - 14

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, 2019 and 2018, 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, 2019 and 2018, 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.

Timonium, Maryland
September 30, 2021

National Association of Free and Charitable Clinics, Inc.

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31,	2020	2019
ASSETS		
Current assets		
Cash and cash equivalents	\$ 555,487	\$ 140,485
Investments	553,533	544,354
Contributions receivable	58,963	46,467
Prepaid expenses	<u>207,344</u>	<u>41,239</u>
Total current assets	1,375,327	772,545
Computers and equipment, net	13,939	17,098
Security deposit	<u>34,070</u>	<u>34,070</u>
Total assets	<u>\$ 1,423,336</u>	<u>\$ 823,713</u>

2020**2019****LIABILITIES AND NET ASSETS****Current liabilities**

Accounts payable	\$ 10,144	\$ 94,573
Accrued expenses	44,580	40,588
Deferred rent	3,733	6,773
Deferred revenue	186,034	165,062
Due to others	10,000	-

Total current liabilities

254,491 **306,996**

Net assets

Unrestricted	1,132,845	480,714
Temporarily restricted	36,000	36,000

Net assets without donor restrictions

1,168,845 **516,714**

Total liabilities and net assets

\$ 1,423,336 **\$ 823,710**

National Association of Free and Charitable Clinics, Inc.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues, gains, and other support without donor restrictions			
Donations and grants	\$ 5,274,912		\$ 5,274,912
Donated services	132,975	-	132,975
Symposium income	103,010	-	103,010
Member dues	325,372	-	325,372
Portfolio income	30,323	-	30,323
Net unrealized (loss) on investments	<u>(10,408)</u>	<u>-</u>	<u>(10,408)</u>
Total revenues, gains, and other support witho	<u>5,856,184</u>	<u>-</u>	<u>5,856,184</u>
Expenses			
Program expense	4,929,946	-	4,929,946
General and administrative	232,381	-	232,381
Fundraising	<u>41,726</u>	<u>-</u>	<u>41,726</u>
Total expenses	<u>5,204,053</u>	<u>-</u>	<u>5,204,053</u>
Changes in net assets without donor restrictions	652,131	-	652,131
Net assets without donor restrictions - beginning o	<u>480,714</u>	<u>36,000</u>	<u>516,714</u>
Net assets without donor restrictions - end of year	<u>\$ 1,132,845</u>	<u>\$ 36,000</u>	<u>\$ 1,168,845</u>

National Association of Free and Charitable Clinics, Inc.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues, gains, and other support without donor restrictions			
Donations and grants	\$ 2,465,698	\$ 36,000	\$ 2,501,698
Donated services	361,938	-	361,938
Symposium income	304,092	-	304,092
Member dues	316,871	-	316,871
Portfolio income	34,441	-	34,441
Net unrealized (loss) on investment	53,868	-	53,868
	<u>3,536,908</u>	<u>36,000</u>	<u>3,572,908</u>
Total revenues, gains, and other support			
	<u>3,536,908</u>	<u>36,000</u>	<u>3,572,908</u>
Expenses			
Program expense	3,057,016	-	3,057,016
General and administrative	257,180	-	257,180
Fundraising	41,726	-	41,726
	<u>3,355,922</u>	<u>-</u>	<u>3,355,922</u>
Total expenses			
	<u>3,355,922</u>	<u>-</u>	<u>3,355,922</u>
Changes in net assets without donor restrictions	180,986	36,000	216,986
Net assets without donor restrictions - beginning of year	<u>378,271</u>	<u>-</u>	<u>378,271</u>
Net assets without donor restrictions - end of year	<u>\$ 559,257</u>	<u>\$ 36,000</u>	<u>\$ 595,257</u>

National Association of Free and Charitable Clinics, Inc.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>Program Expense</u>	<u>General & Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Bank fees	\$ -	\$ 12,821	\$ -	\$ 12,821
Depreciation	-	3,159	-	3,159
Donated services	132,975	-	-	132,975
Dues and subscriptions	-	-	-	-
Grants for members	3,969,265	-	-	3,969,265
Employee benefits	32,984	12,729	2,143	47,856
Insurance	-	7,995	-	7,995
Marketing	19,780	22,378	7,547	49,705
Meetings	-	707	-	707
Office and printing	2,419	432	45	2,896
Postage and shipping	5,903	44	1,104	7,051
Professional fees	199,446	81,378	-	280,824
Rent	82,065	18,900	6,061	107,026
Salaries	308,318	70,561	22,728	401,607
Program services - Symposium	122,814	-	-	122,814
Telephone and website	46,543	1,110	-	47,653
Travel	7,434	167	2,098	9,699
Total expenses	\$ 4,929,946	\$ 232,381	\$ 41,726	\$ 5,204,053

National Association of Free and Charitable Clinics, Inc.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Program Expense</u>	<u>General & Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Bank fees	\$ -	\$ 17,555	\$ -	\$ 17,555
Depreciation	-	7,518	-	7,518
Donated services	361,938	-	-	361,938
Grants for members	1,838,118	-	-	1,838,118
Employee benefits	32,547	12,729	2,143	47,419
Insurance	-	8,528	-	8,528
Marketing	11,882	22,378	7,547	41,807
Meetings	318	15,880	-	16,198
Office and printing	5,112	432	45	5,589
Postage and shipping	4,773	44	1,104	5,921
Professional fees	123,880	81,378	-	205,258
Rent	78,661	18,900	6,061	103,622
Salaries	298,099	70,561	22,728	391,388
Program services - Symposium	250,465	-	-	250,465
Telephone and website	32,694	1,110	-	33,804
Travel	18,529	167	2,098	20,794
Total expenses	<u>\$ 3,057,016</u>	<u>\$ 257,180</u>	<u>\$ 41,726</u>	<u>\$ 3,355,922</u>

National Association of Free and Charitable Clinics, Inc.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31,

2020

2019

Cash flows from operating activities:

Changes in net assets	\$ 652,131	\$ 216,986
Adjustments to reconcile changes in net assets to net cash by operating activities:		
Depreciation	3,159	7,518
Net Unrealized loss (gain) on investments	10,408	(52,022)
(Increase) decrease in assets:		
Contributions receivable	(12,496)	(7,766)
Prepaid expenses	(166,105)	2,082
Security deposit	-	-
Increase (decrease) in liabilities:		
Accounts payable	(84,435)	(87,706)
Accrued expenses	3,992	(5,942)
Deferred rent	(604)	(604)
Deferred revenue	20,972	19,814
Net cash provided by operating activities	427,022	92,360
Cash flows from investing activities:		
Acquisition of property and equipment	(817)	(817)
Proceeds on sale of securities	-	113,283
Investment in securities	(11,203)	(150,262)
Net cash (used) by investing activities	(12,020)	(37,796)
Net increase in cash and cash equivalents	415,002	54,564
Cash and cash equivalents - beginning of year	140,485	85,921
Cash and cash equivalents - end of year	\$ 555,487	\$ 140,485

National Association of Free and Charitable Clinics, Inc.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2020 and 2019

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 1,400 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, 2020 and 2019.

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended 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, 2020 and 2019

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2020 and 2019.

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 2017.

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 basis.

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, 2020 and 2019

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.

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, 2020 and 2019

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.

NOTE B. AVAILABILITY AND LIQUIDITY

The following represents The National Association of Free and Charitable Clinic's financial assets at

Financial assets at year end	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 555,487	\$ 140,485
Contributions receivable	58,963	46,467
Investments	<u>553,533</u>	<u>544,354</u>
Total financial assets available to meet general expenditures over the next twelve months	<u>\$ 1,167,983</u>	<u>\$ 731,306</u>

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 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 \$4,878 are included as a reduction to donations and grants income on the statement of activities for the years ended December 31, 2020 and 2019, respectively.

At December 31, contributions receivable consisted of the following:

	<u>2020</u>	<u>2019</u>
Accounts receivable	\$ 63,841	\$ 51,345
Less: discount on grant funds	<u>(4,878)</u>	<u>(4,878)</u>
	<u>\$ 58,963</u>	<u>\$ 46,467</u>

National Association of Free and Charitable Clinics, Inc.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2020 and 2019

NOTE C. PROPERTY AND EQUIPMENT, net

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

	<u>2020</u>	<u>2019</u>
Computer equipment	\$ 29,833	\$ 29,833
Website	20,064	20,064
Furniture	9,949	9,949
Software	3,201	3,201
	<u>63,047</u>	<u>63,047</u>
Less: accumulated depreciation	<u>(49,108)</u>	<u>(45,949)</u>
Property and equipment, net	<u>\$ 13,939</u>	<u>\$ 17,098</u>
Depreciation	<u>\$ 3,159</u>	<u>\$ 7,518</u>

NOTE D. INVESTMENTS

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

<u>Investments</u>	<u>2020</u>		<u>2019</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Stocks and ETFs	\$ 108,680	\$ 172,908	\$ 110,813	\$ 190,719
Preferred securities	6,234	6,353	3,734	3,870
Open end mutual funds	359,469	374,272	341,589	349,765
Total investments	<u>\$ 474,383</u>	<u>\$ 553,533</u>	<u>\$ 456,136</u>	<u>\$ 544,354</u>

NOTE E. COMMITMENTS

Operating Lease

The Association leases office space and parking spaces in Virginia under a lease agreement which expires September 30, 2021. 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 \$107,026 and \$103,622 for the years ended December 31, 2020 and 2019, respectively.

At December 31, 2020, the remaining future minimum payments required under the office leases are as follows:

December 31, 2020	<u>\$ 95,166</u>
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National Association of Free and Charitable Clinics, Inc.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2020 and 2019

NOTE F. DEFERRED REVENUE

The change in the Association's deferred revenue account for the years ended December 31, 2020 and 2019 is comprised of the following:

	<u>2020</u>	<u>2019</u>
Balance at beginning of year	\$ 72,216	\$ 110,667
Additions:		
Memberships sold	439,190	278,420
Reductions:		
Memberships sold	<u>(325,372)</u>	<u>(316,871)</u>
Balance at end of year	<u>\$ 186,034</u>	<u>\$ 72,216</u>

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>2020</u>	<u>2019</u>
Program services		
Legal expenses	\$ 5,075	\$ 95,520
Supplies	16,900	16,570
Fundraising consulting services	<u>109,680</u>	<u>88,000</u>
Total	<u>\$ 131,655</u>	<u>\$ 200,090</u>

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 \$11,201 and \$11,256 to the Plan for the years ended December 31, 2020 and 2019, respectively and are included in employee benefits.

National Association of Free and Charitable Clinics, Inc.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2020 and 2019

NOTE I. 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>
2020				
Stocks and ETFs	\$ 172,908	\$ 172,908	\$ -	\$ -
Preferred securities	6,353	6,353	-	-
Open end mutual funds	<u>374,272</u>	<u>374,272</u>	<u>-</u>	<u>-</u>
Total assets at fair value	<u>\$ 553,533</u>	<u>\$ 553,533</u>	<u>\$ -</u>	<u>\$ -</u>
2019				
Stocks and ETFs	\$ 190,719	\$ 190,719	\$ -	\$ -
Preferred securities	3,870	3,870	-	-
Open end mutual funds	<u>349,765</u>	<u>349,765</u>	<u>-</u>	<u>-</u>
Total assets at fair value	<u>\$ 544,354</u>	<u>\$ 544,354</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE I. SUBSEQUENT EVENTS

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and since spread to other countries, including the U.S. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, multiple jurisdictions in the U.S., including Maryland and other Mid-Atlantic states, have declared a state of emergency. It is anticipated that these impacts will continue for some time. The COVID-19 pandemic and resulting global disruptions have caused significant economic uncertainty and volatility in financial markets. The potential economic impact brought by, and the duration of, COVID-19 is difficult to assess or predict and will depend on future developments that are highly uncertain and cannot be predicted.

In preparing these financial statements, the Association has evaluated events and transactions subsequent to December 31, 2020 through September 30, 2021, 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.