

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

FINANCIAL STATEMENTS

December 31, 2021 and 2020

National Association of Free and Charitable Clinics, Inc.

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1 - 2
FINANCIAL STATEMENTS:	
STATEMENTS OF FINANCIAL POSITION	3
STATEMENTS OF ACTIVITIES	4
STATEMENTS OF FUNCTIONAL EXPENSES	5 - 6
STATEMENTS OF CASH FLOWS	7
NOTES TO THE FINANCIAL STATEMENTS	8 - 13

Auditor's Responsibilities of Management for the Financial Statements

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

In performing an audit in accordance with auditing standards generally accepted in the United States of America, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of National Association of Free and Charitable Clinics, Inc., internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about National Association of Free and Charitable Clinic's, Inc., ability to continue as a going concern for a reasonable period of time.

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

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

Timonium, Maryland
October 31, 2022



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

201 West Padonia Road • Suite 600 • Timonium, MD 21093-2186
410-561-4411 • Fax 410-561-4586 • <http://www.wabccpas.com>

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying financial statements of National Association of Free and Charitable Clinics, Inc., (a nonprofit organization), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended and the related notes to the financial statements

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of National Association of Free and Charitable Clinics, Inc., as of December 31, 2021 and 2020, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of National Association of Free and Charitable Clinics, Inc., and to meet our ethical responsibilities in accordance with the relevant ethical requirements to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about National Association of Free and Charitable Clinics, Inc., ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

National Association of Free and Charitable Clinics, Inc.

STATEMENTS OF FINANCIAL POSITION

December 31,	2021	2020
ASSETS		
Current assets		
Cash and cash equivalents	\$ 1,434,792	\$ 555,487
Investments	622,462	553,533
Contributions receivable	146,048	58,963
Due from others	7,213	-
Prepaid expenses	24,620	207,344
Total current assets	2,235,135	1,375,327
Computers and equipment, net	18,190	13,939
Other assets		
Security deposit	34,070	34,070
Total assets	\$ 2,287,395	\$ 1,423,336

See independent auditor's report and notes to the financial statements.

2021**2020****LIABILITIES AND NET ASSETS****Liabilities**

Accounts payable	\$ 173,835	\$ 10,144
Accrued expenses	47,160	44,580
Deferred rent	24,870	3,733
Deferred income	227,995	186,034
Due to others	<u>10,000</u>	<u>10,000</u>
Total current liabilities	483,860	254,491

Net assets without donor restrictions	<u>1,803,535</u>	<u>1,168,845</u>
--	------------------	------------------

Total liabilities and net assets	<u>\$ 2,287,395</u>	<u>\$ 1,423,336</u>
---	---------------------	---------------------

National Association of Free and Charitable Clinics, Inc.

STATEMENTS OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31,

2021

2020

Revenues, gains, and support without donor restrictions

Donations and grants	\$ 7,049,488	\$ 5,274,912
Donated services	653,870	132,975
Symposium income	117,512	103,010
Services income	60,000	-
Member dues	397,079	325,372
Portfolio Income	24,823	30,323
Net realized and unrealized (loss) gain on investments	42,363	(10,408)

Total revenues, gains, and support without donor restrictions

8,345,135

5,856,184

Expenses

Program services	7,299,801	4,929,946
General and administrative	374,301	232,381
Fundraising	36,343	41,726

Total expenses

7,710,445

5,204,053

Change in net assets without donor restrictions

634,690

652,131

Net assets without donor restrictions - beginning of year

1,168,845

516,714

Net assets without donor restrictions - end of year

\$ 1,803,535

\$ 1,168,845

National Association of Free and Charitable Clinics, Inc.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>Program Services</u>	<u>General & Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Bank charges	\$ -	\$ 13,599	\$ -	\$ 13,599
Depreciation	-	3,159	-	3,159
Donated services	653,870	-	-	653,870
Grants for members	5,685,359	-	-	5,685,359
Employee benefits	33,220	15,222	3,381	51,823
Insurance	-	8,294	-	8,294
Marketing	63,463	55,443	-	118,906
Office and printing	370	1,007	-	1,377
Postage and shipping	9,667	44	1,104	10,815
Professional fees	197,799	81,378	-	279,177
Rent	75,210	45,154	-	120,364
Salaries	308,910	139,896	31,858	480,664
Program services - Symposium	227,563	-	-	227,563
Telephone and website	35,232	11,017	-	46,249
Travel	9,138	88	-	9,226
Total expenses	<u>\$7,299,801</u>	<u>\$374,301</u>	<u>\$36,343</u>	<u>\$7,710,445</u>

National Association of Free and Charitable Clinics, Inc.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>Program Services</u>	<u>General & Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Bank charges	\$ -	\$ 12,821	\$ -	\$ 12,821
Depreciation	-	3,159	-	3,159
Donated services	132,975	-	-	132,975
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.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31,

2021

2020

Cash flows from operating activities:

Change in net assets	\$ 634,690	\$ 652,131
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	3,159	3,159
Net realized and unrealized (gain) loss on investments	(34,630)	10,408
(Increase) decrease in assets:		
Contributions receivable	(87,085)	(12,496)
Prepaid expenses	182,724	(166,105)
Due from others	(7,213)	-
Increase (decrease) in liabilities:		
Accounts payable	163,691	(84,435)
Accrued expenses	2,580	3,992
Deferred rent	21,137	(604)
Deferred revenue	41,961	20,972
Net cash provided by operating activities	<u>921,014</u>	<u>427,022</u>
Cash flows from investing activities:		
Acquisition of property and equipment	(2,420)	(817)
Investment in securities	(39,288)	(11,203)
Net cash (used) by investing activities	<u>(41,708)</u>	<u>(12,020)</u>
Net increase in cash and cash equivalents	879,306	415,002
Cash and cash equivalents - beginning of year	<u>555,486</u>	<u>140,484</u>
Cash and cash equivalents - end of year	<u>\$ 1,434,792</u>	<u>\$ 555,486</u>

National Association of Free and Charitable Clinics, Inc.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

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 provided direct patient care through one day health clinics, health education and training for volunteers and 1,400 clinics across the United States of America. The Association is supported primarily through donation, 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 the Topic, the Association is required to report information regarding its financial position and activities according to two classes of net assets:

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 Foundation. These net assets may be used at the discretion of National Association of Free and Charitable Clinics, Inc., 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 National Association of Free and Charitable Clinics Inc. 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 the Association is not exposed to any significant credit risk on their balances.

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 statements of financial position. The unrealized gains and losses are included in the change in net assets without donor restrictions.

National Association of Free and Charitable Clinics, Inc.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Depreciation and Amortization

Property and equipment are stated at cost or fair value at the date of donation for donated items. Depreciation and amortization is provided 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

Additions and betterments of \$500 or more are capitalized, while maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed.

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, 2021 and 2020.

Contributions

Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions 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 net assets with donor restrictions.

National Association of Free and Charitable Clinics, Inc.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Functional Expenses

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 program services, general & administrative, and fundraising. 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 support function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include rent and taxes - other, which are allocated on a square-footage basis, as well as salaries, insurance, payroll processing fees, payroll taxes, and retirement plan contribution, which are allocated on the basis of estimates of individual staff's time and effort. In addition, bank charges, consulting, depreciation and amortization, marketing, miscellaneous, office, postage and shipping, printing and reproduction, professional fees, repairs and maintenance, state registration, and telephone and internet expenses are allocated to program services, general and administrative, and fundraising as an estimation of the purpose of the individual costs within those categories.

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. Volunteers provided program or fundraising services throughout the year that are not recognized as contributions in the financial statements since the recognition criteria were not met.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses. Actual results could differ from those estimates.

New Accounting Pronouncement

In February 2016, the FASB issued ASU No. 2016-02, *Leases* (Topic 842), which requires a lessee to recognize assets and liabilities on the statements 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. In response to the ongoing impacts to US businesses in response to the coronavirus (COVID-19) pandemic, FASB issued ASU No. 2020-05, *Revenue from Contracts with Customers* (Topic 606) and *Leases* (Topic 842) allowing the deferral for implementing previously issued Topic 842 to annual periods beginning after December 15, 2021. As such, the Association will be required to adopt this standard for the year ending December 31, 2022. This standard requires adoption based upon a modified retrospective transition approach, with early adoption permitted.

New Accounting Pronouncement (continued)

Based on a preliminary assessment, adoption of the standard will not have a significant impact on the Association's financial statements.

National Association of Free and Charitable Clinics, Inc.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

NOTE B. AVAILABILITY AND LIQUIDITY

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

Financial assets at year end:	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 1,434,792	\$ 555,487
Investments	622,462	553,533
Contributions receivable	<u>146,048</u>	<u>58,963</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 2,203,302</u>	<u>\$ 1,167,983</u>

The Association is funded by current operations and investments on an annual basis through accurate planning of revenues and expenses. The National Association of Free and Charitable Clinics, Inc CEO will maintain 25% of the forecasted annual operating expenses in available cash, cash equivalents and investment funds in order to meet necessary operating expenses. Additionally, the CEO will not use available cash, cash equivalents, and investment funds for large expenditures which could not be replenished by revenues within 120 days. Funds determined to exceed short term operating needs are transferred to investment funds for increased return.

NOTE C. 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 3.25%, the current prime rate set by the Federal Reserve of the United States of America. The discount on grant funds of \$4,878 is included as a reduction to donation and grants income on the statement of activities for the years ended December 31, 2021 and 2020 respectively.

At December 31, contributions receivable consisted of the following:

	<u>2021</u>	<u>2020</u>
Accounts receivable	\$ 150,926	\$ 63,481
Less: discount on grant funds	<u>(4,878)</u>	<u>(4,878)</u>
	<u>\$ 146,048</u>	<u>\$ 58,603</u>

NOTE D. INVESTMENTS

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

<u>Investments</u>	<u>2021</u>		<u>2020</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Stocks and ETFs	\$ 448,620	\$ 483,650	\$ 108,680	\$ 172,908
Preferred Securities	6,234	6,975	6,234	6,353
Open end mutual funds	<u>125,245</u>	<u>131,837</u>	<u>359,469</u>	<u>374,272</u>
Total investments	<u>\$ 580,099</u>	<u>\$ 622,462</u>	<u>\$ 474,383</u>	<u>\$ 553,533</u>

National Association of Free and Charitable Clinics, Inc.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

NOTE E. PROPERTY AND EQUIPMENT, net

Property and equipment consisted of the following at March 31:

	<u>2021</u>	<u>2020</u>
Computer equipment	\$ 32,253	\$ 29,833
Website	20,064	20,064
Furniture	9,949	9,949
Software	3,201	3,201
	<u>65,467</u>	<u>63,047</u>
Less: accumulated depreciation	<u>(47,277)</u>	<u>(49,108)</u>
Property and equipment, net	<u>\$ 18,190</u>	<u>\$ 13,939</u>
Depreciation expense	<u>\$ 3,159</u>	<u>\$ 3,159</u>

NOTE F. COMMITMENTS

Operating Leases

The Association leases office space and parking spaces in Virginia under a lease agreement which expires September 30, 2022. The Association's lease auto renews at the expiration of the current lease for consecutive 12 month periods at an increased monthly charge of 5%. Rent expense was \$120,364 and \$107,026 for the years ended March 31, 2022 and 2021, respectively

At December 31, 2021 the remaining minimum payments required under these leases are as follows:

December 31, 2022	<u>\$ 126,382</u>
-------------------	-------------------

NOTE G. EMPLOYEE RETIREMENT PLAN

The Association implemented a 403(b) Plan in February 2012 covering essentially all employees. Employees are eligible for a 3% match from the Association. The Association contributed \$11,891 and \$11,628 to the Plan for the years ended December 31, 2022 and 2021, respectively and are included in employee benefits.

National Association of Free and Charitable Clinics, Inc.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

NOTE H. 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>
<u>2021</u>				
Stocks and ETFs	\$ 483,650	\$ 483,650	\$ -	\$ -
Preferred securities	6,975	6,975	-	-
Open end mutual funds	<u>131,837</u>	<u>131,837</u>	-	-
Total assets at fair value	<u>\$ 622,462</u>	<u>\$ 622,462</u>	<u>\$ -</u>	<u>\$ -</u>
<u>2020</u>				
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>	-	-
Total assets at fair value	<u>\$ 553,533</u>	<u>\$ 553,533</u>	<u>-</u>	<u>-</u>

NOTE I. SUBSEQUENT EVENTS

In preparing these financial statements, the Association has evaluated events and transactions subsequent to December 31, 2021 through October 31, 2022, 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.