

FREE CLINIC OF SOUTHWEST WASHINGTON
(A Non-Profit Corporation)

FINANCIAL STATEMENTS FOR THE YEARS
ENDED JUNE 30, 2021 AND 2020
an Independent Auditor's Report

FREE CLINIC OF SOUTHWEST WASHINGTON
(A Non-Profit Corporation)

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JUNE 30, 2021 AND 2020

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1
STATEMENTS OF FINANCIAL POSITION	3
STATEMENT OF ACTIVITIES – FYE 6/30/21	4
STATEMENT OF ACTIVITIES – FYE 6/30/20	5
STATEMENT OF FUNCTIONAL EXPENSES – FYE 6/30/21	6
STATEMENT OF FUNCTIONAL EXPENSES – FYE 6/30/20	7
STATEMENTS OF CASH FLOWS	8
NOTES TO FINANCIAL STATEMENTS	9



PLYMALE & GILLESPIE CPAs, PLLC

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Finance Committee
The Board of Directors
Free Clinic of Southwest Washington

Report on the Financial Statements

We have audited the accompanying financial statements of Free Clinic of Southwest Washington (a non-profit organization) which comprise the statement of financial position as of June 30, 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.

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 audit. We conducted our audit 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, 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 Free Clinic of Southwest Washington as of June 30, 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.

PLYMALE & GILLESPIE CPAs, PLLC

Michael Gillespie

Michael Gillespie
Certified Public Accountant
November 9, 2021

Free Clinic of Southwest Washington
Statement of Financial Position

ASSETS		
	6/30/2021	6/30/2020
Current Assets		
Cash and Cash Equivalents	\$ 574,434	\$ 860,639
Vanguard Investment Account	620,428	45,457
American Funds Mutual Funds	465,397	337,647
Accounts Receivable	1,375	2,219
Grants Receivable - Current Portion	127,000	75,000
Prepaid Expenses	16,906	13,543
Total Current Assets	1,805,540	1,334,505
Noncurrent Assets:		
Endowment Investments	493,680	422,343
Grants Receivable - Long-Term Portion	-	25,000
Equipment	142,071	171,741
Less: Accumulated Depreciation	(120,688)	(145,980)
Leasehold Improvements	614,918	597,736
Less: Accumulated Amortization	(379,178)	(357,706)
Total Noncurrent Assets	750,803	713,134
Total Assets	\$ 2,556,343	\$ 2,047,639
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accrued Payroll	\$ 21,685	\$ 27,614
Payroll Withholdings	581	1,548
Accounts Payable	6,816	3,588
Accrued Vacation Payable	18,498	14,655
Total Current Liabilities	47,580	47,405
Net Assets:		
Without Donor Restrictions:		
Available for General Operations	1,539,180	862,087
Board-Designated Reserves	100,000	100,000
Net Investment in Fixed Assets	257,123	265,791
Subtotal - Without Donor Restrictions	1,896,303	1,227,878
With Donor Restrictions	612,460	772,356
Total Net Assets	2,508,763	2,000,234
Total Liabilities and Net Assets	\$ 2,556,343	\$ 2,047,639

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

Free Clinic of Southwest Washington
Statement of Activities
Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total FYE 6/30/2021
Revenue:			
Individual Donations	\$ 192,310	\$ 10,366	\$ 202,676
Business & Organization Donations	111,351	51,239	162,590
Patient Donations	1,430	-	1,430
Foundation Grants	41,000	41,000	82,000
Other Grants	102,000	-	102,000
Special Events	245,526	-	245,526
Bequests, Memorials, Planned Gifts	222,089	2,500	224,589
Contract Service Revenue	22,451	-	22,451
Interest & Investment Earnings	176,803	100,426	277,229
Donated Use of Facilities	95,820	-	95,820
Donated Medical and Dental Services	325,364	-	325,364
Net Assets Released from Restrictions	365,427	(365,427)	-
Total Revenue	1,901,571	(159,896)	1,741,675
Expenses:			
Program Service Expenses	1,006,097	-	1,006,097
Management & General Expenses	92,653	-	92,653
Fundraising Expenses	134,396	-	134,396
Total Expenses	1,233,146	-	1,233,146
Change in Net Assets	668,425	(159,896)	508,529
Net Assets at Beginning of Year	1,227,878	772,356	2,000,234
Net Assets at End of Year	\$ 1,896,303	\$ 612,460	\$ 2,508,763

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

Free Clinic of Southwest Washington
Statement of Activities
Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total FYE 6/30/20
Revenue, Gains and Other Support:			
Individual Donations	\$ 199,447	\$ 21,593	\$ 221,040
Business & Organization Donations	32,859	199,500	232,359
Patient Donations	33,742	-	33,742
Foundation Grants	76,000	244,200	320,200
Payroll Protection Program loan forgiven	72,000	-	72,000
Special Events	218,944	-	218,944
Contract Service Revenue	15,589	-	15,589
Bequests, Memorials, Planned Gifts	179,519	500	180,019
Interest & Investment Earnings	26,555	28,196	54,751
Gain (Loss) on Disposal of Fixed Assets	61,363	-	61,363
Donated Materials	40,298	-	40,298
Donated Use of Facilities	95,820	-	95,820
Donated Advertising & Other	8,720	-	8,720
Donated Medical and Dental Services	438,748	-	438,748
Net Assets Released from Restrictions	187,796	(187,796)	-
Total Revenue, Gains and Other Support	1,687,400	306,193	1,993,593
Expenses:			
Program Service Expenses	1,112,463	-	1,112,463
Management & General Expenses	94,331	-	94,331
Fundraising Expenses	139,602	-	139,602
Total Expenses	1,346,396	-	1,346,396
Change in Net Assets	341,004	306,193	647,197
Net Assets at Beginning of Year	886,874	466,163	1,353,037
Net Assets at End of Year	\$ 1,227,878	\$ 772,356	\$ 2,000,234

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

Free Clinic of Southwest Washington
Statement of Functional Expenses
Year Ended June 30, 2021

	Program Expenses					Total Program Expenses	Mgmt & General	Fund Raising	Total Expenses
	Basic Health	Project Access	Dental Program	Total Program Expenses	Mgmt & General				
Expenses:									
Salaries	\$ 204,059	\$ 95,404	\$ 64,041	\$ 363,504	\$ 16,036	\$ 72,917	\$ 452,457		
Payroll Taxes	17,690	7,981	5,664	31,334	3,304	6,305	40,942		
Health & Dental Insurance	8,366	2,649	3,655	14,670	2,465	2,755	19,890		
Retirement Benefits	1,824	612	845	3,281	567	637	4,485		
Accrued Vacation Expense	1,717	813	568	3,098	125	620	3,843		
Professional Fees	36,142	12,414	159	48,715	63,389	128	112,232		
Printing & Copying	2,090	1,266	609	3,966	272	2,247	6,484		
Postage & Delivery	849	491	236	1,577	89	401	2,067		
Technology	7,276	3,892	2,739	13,907	1,035	6,274	21,216		
Insurance	8,001	4,845	2,332	15,178	579	1,882	17,639		
Radiology	2,878	-	-	2,878	-	-	2,878		
Vouchered Prescriptions	60	457	-	516	-	-	516		
Bulk Pharmaceuticals	1,720	-	-	1,720	-	-	1,720		
Office Supplies	1,493	445	214	2,152	490	283	2,925		
Medical, Dental & Clinic Supplies	8,483	-	4,184	12,667	-	-	12,667		
Bulk Diabetes Drugs	805	-	-	805	-	-	805		
Occupancy	18,090	1,469	1,241	20,800	1,286	281	22,366		
Website	556	337	162	1,054	40	131	1,225		
Volunteer Support	1,077	8	4	1,089	50	3	1,142		
Training, Travel & Other Staff Support	317	-	-	317	-	25	342		
Equipment & Van Rental	-	-	4,500	4,500	-	-	4,500		
Dental Clark College Services	-	-	643	643	-	-	643		
Bank & Merchant Fees	1,502	910	438	2,850	109	353	3,312		
Dues & Fees	870	256	123	1,249	110	339	1,698		
Special Events	-	-	-	-	-	34,323	34,323		
Small Equipment	1,933	-	-	1,933	-	-	1,933		
Depreciation & Amortization	15,351	6,632	5,077	27,060	792	2,576	30,428		
Loss on Disposal of Fixed Assets	6,543	-	740	7,283	-	-	7,283		
In-Kind Expenses:									
Donated Medical and Dental Services	232,474	55,597	37,293	325,364	-	-	325,364		
Donated Use of Facilities	77,614	5,749	8,624	91,987	1,916	1,916	95,820		
Total Expenses	\$ 659,780	\$ 202,226	\$ 144,092	\$ 1,006,097	\$ 92,653	\$ 134,396	\$ 1,233,146		

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

Free Clinic of Southwest Washington
Statement of Functional Expenses
Year Ended June 30, 2020

	Program Expenses					Total Program Expenses	Mgmt. & General	Fund-Raising	Total Expenses
	Basic Health	Project Access	Dental Program	Dental Program	Program Expenses				
Salaries	\$ 163,707	\$ 67,376	\$ 74,183	\$ 305,266	\$ 407,813	\$ 20,059	\$ 82,487	\$ 407,813	
Payroll Taxes	14,537	6,456	6,589	27,582	37,227	2,472	7,173	37,227	
Health & Dental Insurance	11,217	3,764	5,194	20,175	25,093	1,004	3,914	25,093	
Retirement Benefits	2,375	454	824	3,653	5,381	720	1,008	5,381	
Accrued Vacation Expense	2,740	1,175	1,385	5,300	7,232	428	1,503	7,232	
Professional Fees	6,395	8,759	5,550	20,704	75,956	55,253	-	75,956	
Printing & Copying	1,488	407	400	2,294	3,786	542	950	3,786	
Postage & Delivery	601	164	162	927	1,134	55	152	1,134	
Advertising	62	-	-	62	146	-	84	146	
Technology	6,186	4,495	1,956	12,637	21,861	2,574	6,650	21,861	
Insurance	9,610	2,626	2,583	14,819	19,636	2,382	2,435	19,636	
Radiology	8,360	-	-	8,360	8,360	-	-	8,360	
Vouchered Prescriptions	262	1,723	-	1,985	1,985	-	-	1,985	
Bulk Pharmaceuticals	14,742	-	-	14,742	14,742	-	-	14,742	
Head Lice Kits	3,048	-	-	3,048	3,048	-	-	3,048	
Office Supplies	1,736	422	415	2,572	3,573	610	391	3,573	
Newsletters / Direct Mailing	-	-	-	-	259	-	259	259	
Medical, Dental & Clinic Supplies	6,254	29	8,486	14,769	14,806	9	27	14,806	
Bulk Diabetes Drugs	9,419	-	-	9,419	9,419	-	-	9,419	
Occupancy	23,282	1,111	1,821	26,215	27,552	967	370	27,552	
Website	730	200	196	1,126	1,375	64	185	1,375	
Volunteer Support	2,183	43	86	2,312	3,116	764	40	3,116	
Training, Travel & Other Staff Support	142	31	56	228	1,413	1,156	29	1,413	
Equipment & Van Rental	500	-	1,500	2,000	2,000	-	-	2,000	
Dental Van Operations	-	-	1,405	1,405	1,405	-	-	1,405	
Dental Van Repairs & Maintenance	-	-	3,818	3,818	3,818	-	-	3,818	
Bank & Merchant Fees	1,517	324	614	2,455	3,188	351	382	3,188	
Dues & Fees	483	77	221	782	919	65	72	919	
Special Events	-	-	-	-	26,388	-	26,388	26,388	
Depreciation & Amortization	16,970	3,320	5,743	26,033	30,181	1,071	3,077	30,181	
In-Kind Expenses:									
Donated Medical and Dental Services	335,661	81,525	21,561	438,747	438,747	-	-	438,747	
Donated Use of Facilities, Advertising, Othe	80,539	5,749	12,549	98,837	104,540	3,786	1,916	104,540	
Donated Materials	40,190	-	-	40,190	40,298	-	108	40,298	
	<u>\$ 764,934</u>	<u>\$ 190,231</u>	<u>\$ 157,297</u>	<u>\$ 1,112,463</u>	<u>\$ 1,346,396</u>	<u>\$ 94,331</u>	<u>\$ 139,602</u>	<u>\$ 1,346,396</u>	

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

Free Clinic of Southwest Washington
Statement of Cash Flows
Years Ended June 30, 2021 and June 30, 2020

	6/30/21	6/30/20
Cash Flows From Operating Activities:		
Increase (decrease) in net assets	\$ 508,529	\$ 647,197
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation and amortization	30,428	30,181
Changes in:		
Investments	(244,058)	(68,467)
Accounts receivable	844	4,702
Grants & pledges receivable	(27,000)	(100,000)
Prepaid expenses	(3,363)	4,242
Accounts payable	3,228	(1,129)
Accrued payroll & related	(6,896)	11,966
Accrued vacation	3,842	7,232
Net cash provided by (used in) operating activities	265,554	535,924
Cash flows from investing activities:		
Proceeds from sale of equipment	-	65,000
(Gain) Loss on disposition of equipment	7,283	(61,363)
Purchase of equipment and leasehold improvements	(29,042)	(4,162)
Purchases of investments	(800,000)	(45,000)
Redemptions and sales of investments	270,000	76,570
Net cash from investing activities	(551,759)	31,045
Net increase (decrease) in cash and cash equivalents	(286,205)	566,969
Cash and Cash Equivalents at Beginning of Year	860,639	293,670
Cash and Cash Equivalents at End of Year	\$ 574,434	\$ 860,639

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

Free Clinic of Southwest Washington

Notes to Financial Statements

Years Ended June 30, 2021 and June 30, 2020

1. Organization

The Free Clinic of Southwest Washington (the “Free Clinic” or the “Organization”) is a nonprofit corporation located in Vancouver, Washington. The Organization provides and facilitates access to free, compassionate, quality health care for community members who are otherwise unable to obtain such services. The majority of those served lack access to health care as they cannot afford medical insurance and do not qualify for government assistance programs. A unique feature of the Free Clinic is that all medical services are provided by over 400 professional, technical and clerical volunteers.

The programs of the Free Clinic include –

- *Basic Health* – Provides basic health clinics during the week at the Free Clinic. Services additionally include health screenings, medication assistance, lab, medical imaging, immunizations, and basic vision services which include ophthalmology and optometry. Medical services under this program include assisting patients with certain chronic conditions manage their health and improve their condition through dietary and lifestyle modification.
- *Project Access* – Provides access to specialty medical care services in the community through a coordinated network of participating professional medical specialists, hospitals and ancillary providers. Project access care coordinators pre-screen clients for eligibility and assist clients in navigating the health system.
- *Dental* – Provides urgent dental services to alleviate pain and infection, and fillings to arrest decay. Dental staff refer patients needing more specialized services to a network of dental providers, who provide care in their own facilities.

2. Summary of Significant Accounting Policies

Basis of Accounting – The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles and the principles of fund accounting. Fund accounting is the procedure by which resources for various purposes are classified for accounting purposes in accordance with activities or objectives specified by donors.

Net Assets – Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- *Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The Board of Directors of the Free Clinic has designated, from net assets without donor restrictions, net assets for an operating reserve.
- *Net Assets With Donor Restrictions* – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

These notes are an integral part of the financial statements

Use of Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires that management make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Revenue Recognition – Revenue is recognized when earned. Bequests are recorded as revenue at the time the Organization has an established right to the bequest and the proceeds are measurable.

Contributions – Contributions, which include unconditional promises to give (pledges), are recognized as revenues in the period the pledge is made. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value.

In-Kind Contributions – The Free Clinic receives a significant amount of donated services requiring specialized clinical skills and facilities. Significant services received which create or enhance a non-financial asset or require specialized skills that the Organization would have purchased if not donated are recognized in the statement of activities.

During the year ended June 30, 2021, \$325,364 of contributed medical services were recorded, including \$29,501 of donated dental van services. Total professional service hours recorded at basic health clinics were 2,600. During the year ended June 30, 2020, \$438,748 of contributed medical services were recorded and total professional service hours recorded at basic health clinics were 5,913. The Organization does not record donated hospital-provided services in the financial statements, as there is not currently an accurate method to value these services. In addition, some professional medical clinics participating in Project Access are unable to send data to the Free Clinic and therefore the Organization does not include these donated services in the financial statements, as there is not currently an accurate method to value these services.

The U.S. Department of Labor, Bureau of Labor Statistics, is used to determine the value of professional and technical services provided at the Free Clinic. The value of Project Access program donated services is determined using Medicaid reimbursement rates. Data submitted from specialists offices are sent to the Free Clinic and documented on spreadsheets. Monthly summaries are completed by Free Clinic staff.

The Free Clinic also receives in-kind contributions of medical supplies and other items which are recorded when there is an objective basis upon which to value those contributions and where the contributions are an essential part of the Organization's activities. During the year ended June 30, 2021, no contributed medical supplies or other items were recorded. During the year ended June 30, 2020, \$40,298 of contributed medical supplies and other items were recorded.

Contributions Receivable - Contributions receivable are recorded when collection is reasonably assured and the amount is reasonably estimable. Contributions expected to be collected within one year of the balance sheet date are recorded as Current Assets on the Statement of Financial Position, at net realizable value.

Capital Assets and Depreciation – Capital assets are reported at cost when purchased and at fair market value when acquired by gift. The Free Clinic capitalizes fixed assets costing at least \$1,000. Equipment is depreciated using the straight-line method over the estimated useful lives of the assets, which is generally 5 to 15 years. Leasehold improvements are amortized over the life of the lease.

Maintenance and Repairs – Improvements, additions and major renewals which extend the life of an asset are charged to the property and equipment accounts. Repairs and maintenance are expensed currently.

Advertising and Promotion – Advertising and promotion costs are expensed as incurred.

These notes are an integral part of the financial statements

Income Tax – The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation. The Organization’s Forms 990, *Return of Organization Exempt from Income Tax*, are subject to examination by the IRS and generally may be audited within three years after they are filed.

Investments – Investments are carried at market value. Net appreciation in the fair market value of investments, which consists of the realized gains or losses and the unrealized appreciation (or depreciation) of those investments, is shown in the statement of activities. Investment income is accrued as earned. Security transactions are recorded on a settlement date basis.

Cash and Cash Equivalents – The Organization considers all highly liquid debt instruments purchased with maturities of 90 days or less, which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. The Free Clinic may invest a portion of its cash in established, traditional money market funds sponsored by major mutual fund families. Cash and cash equivalents includes investments in the Vanguard Federal Money Market Fund of \$230,498 and \$431,264 as of June 30, 2021 and 2020, respectively.

Reclassifications – Certain prior year balances, including Cash and Cash Equivalents and Vanguard Investment Account have been reclassified to conform with the current year presentation. The reclassification had no effect on reported Total Current Assets, Total Net Assets, and Change in Net Assets.

Functional Allocation of Expenses – The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expenses that are allocated include occupancy, which is allocated on a square footage basis, as well as salaries and wages, benefits, payroll taxes, professional fees, depreciation, amortization, insurance and office expenses, which are allocated on the basis of estimates of time and effort.

3. Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following as of June 30, 2021 and 2020:

	<u>6/30/21</u>	<u>6/30/20</u>
Cash and Cash Equivalents	\$ 574,434	\$ 860,639
Vanguard Investment Account	620,428	45,457
American Funds Mutual Funds	465,397	337,647
Accounts Receivable	1,375	2,219
Less: Net Assets with Donor Purpose Restrictions	(118,780)	(350,012)
Less: Board Designated Reserve (Note 10)	<u>(100,000)</u>	<u>(100,000)</u>
	<u>\$ 1,442,854</u>	<u>\$ 795,950</u>

It is the policy of the Free Clinic to keep sufficient funds on hand in order to meet its current operating needs. Cash in excess of daily requirements is invested in certificates of deposit, money market funds and short-term investments consisting of actively traded mutual funds sponsored by major mutual fund families, which are registered with the United States Securities and Exchange Commission (SEC). Management prepares a monthly cash flow projection at the beginning of each fiscal year. Liquidity sufficiency for future monthly, quarterly and annual needs are monitored by the Organization’s management, Finance Committee, and Board of Directors.

These notes are an integral part of the financial statements

4. Investments

The Finance Committee of the Board of Directors manages the investment portfolio for all Free Clinic investments except for the endowment funds invested in a pool of mutual funds managed by the Community Foundation for Southwest Washington (Community Foundation) for the benefit of local nonprofits.

The Free Clinic reports its investments at fair market value, which is determined using quoted market prices. The policies of both the Free Clinic and the Community Foundation provide that no investment or group of investments may represent a significant concentration of market risk.

Investments consist of the following as of June 30, 2021 and 2020:

	<u>6/30/21</u>	<u>6/30/20</u>
<i>Vanguard Investment Account</i>		
Vanguard Brokered Certificates of Deposit	\$ 100,067	\$ 20,000
Vanguard Total Stock Market Index Mutual Fund	225,967	25,457
Vanguard International Stock Index Mutual Fund	44,938	0
Vanguard Short-term Investment Grade Mutual Fund	<u>249,456</u>	<u>0</u>
Total- Vanguard Investment Account	<u>620,428</u>	<u>45,457</u>
<i>American Funds Mutual Funds:</i>		
Washington Mutual Investors Fund	86,054	53,541
AMCAP Fund	72,176	64,289
EuroPacific Growth Fund	89,760	62,973
Growth Fund of America	80,870	56,566
New Economy Fund	51,264	37,007
Investment Company of America	<u>85,273</u>	<u>63,271</u>
Total- American Funds Mutual Funds	<u>465,397</u>	<u>337,647</u>
<i>Endowment Investments:</i>		
Vanguard Balanced Index Mutual Fund	437,356	375,087
Community Foundation- Pooled Investments	<u>56,324</u>	<u>47,256</u>
Total- Endowment Investments	<u>493,680</u>	<u>422,343</u>
Total Investments	\$ <u>1,579,505</u>	\$ <u>805,447</u>

The investment return for the years ending June 30, 2021 and 2020 includes:

	<u>6/30/21</u>	<u>6/30/20</u>
Interest & Dividends	\$ 11,796	\$ 15,618
Gains & Losses (Realized & Unrealized)	<u>265,433</u>	<u>39,134</u>
Total	\$ <u>277,229</u>	\$ <u>54,751</u>

These notes are an integral part of the financial statements

The Vanguard Investment Account earned a net gain of \$48,742 for the year ended June 30, 2021. These investments earned a net gain of \$1,768 for the year ended June 30, 2020.

American Funds Mutual Funds earned net gains of \$127,751 for the year ended June 30, 2021. These investments earned net gains of \$22,539 for the year ended June 30, 2020.

The Endowment Investments held in the Vanguard Balanced Index Mutual Fund earned net gains of \$92,269 for the year ended June 30, 2021. These investments earned net gains of \$28,560 for the year ended June 30, 2020.

The Endowment Investments held in the Community Foundation investment pool earned net gains of \$8,158 for the year ended June 30, 2021. These investments earned net losses of \$363 for the year ended June 30, 2020.

The Community Foundation investment pool does not separately report realized and unrealized gains and losses on individual investments within the pool. Investment advisory fees paid to the Community Foundation were \$305 and \$369 for the years ended June 30, 2021 and 2020, respectively.

The Free Clinic did not provide variance power to the Community Foundation. Earnings can be withdrawn upon written request of the President and Treasurer of the Free Clinic and can be payable only to the Free Clinic. The Free Clinic must provide the Community Foundation at least 3 months-notice for a withdrawal of all or a portion of the principal and at least 180 days-notice for a withdrawal that exceeds \$100,000.

The Free Clinic reports its fair value measures using a three-level hierarchy that prioritizes the inputs used to measure fair value. This hierarchy, established by GAAP, requires that entities maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The three levels of inputs used to measure fair value are as follows:

- *Level 1.* Quoted prices for identical assets or liabilities in active markets to which the organization has access at the measurement date.
- *Level 2.* Inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include:
 - quoted prices for similar assets or liabilities in active markets;
 - quoted prices for identical or similar assets in markets that are not active;
 - observable inputs other than quoted prices for the asset or liability (for example, interest rates and yield curves); and
 - inputs derived principally from, or corroborated by, observable market data by correlation or by other means.
- *Level 3.* Unobservable inputs for the asset or liability. Unobservable inputs should be used to measure the fair value to the extent that observable inputs are not available.

When available, the organization measures fair value using level 1 inputs because they generally provide the most reliable evidence of fair value. However, level 1 inputs may not be available for many of the assets and liabilities that the organization is required to measure at fair value (for example, unconditional promises to give and in-kind contributions).

The fair value of the investments was determined using Level 1 inputs. Investments in mutual funds are valued at the daily closing price as reported by the fund. These investments are registered with the SEC and are required to publish their daily net asset value (NAV) and to transact at that price. Brokered certificates of deposit are valued by their custodians using pricing models based on credit quality, maturity date, interest rates and market assumptions.

These notes are an integral part of the financial statements

5. Commitments

The Free Clinic is obligated under an operating lease with the Vancouver School District No. 37 for a period of thirty years beginning August 22, 2000; however, the Organization has the right to terminate the lease at any time upon 90 days written notice to the School District. The terms of the agreement include a base amount of one dollar per year plus an allocated share of monthly utilities, based on the Organization's square footage. The Organization is also responsible for all insurance, janitorial, maintenance, repairs and taxes on their portion of the facility. The Free Clinic recorded \$95,820 of in-kind donated use of facilities related to this space for each the years ended June 30, 2021 and June 30, 2020, respectively.

In March 2019, the Organization entered into an agreement for the use of two office copier machines, related printing services and maintenance. It is committed to pay a minimum monthly payment of \$245 plus potential overage fees based on the number of copies printed. Total future minimum amounts due under this agreement include \$2,922 in each of the years ended June 30, 2022 through 2024, which totals \$8,766. Expense related to this agreement was \$3,749 for the year ended June 30, 2021 and \$3,116 for the year ended June 30, 2020.

6. Concentration of Credit Risk

The Free Clinic maintains cash and certificates of deposit at two financial institutions in the Vancouver, Washington area. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. The Organization has adopted a policy to ensure that its funds remain within the insured limits.

7. Endowment

Board's Interpretation of UPMIFA

The Board of Directors has interpreted Washington's adoption of the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the Organization to adopt investment and spending policies that preserve the fair value of the original gift as of the date of the gift, absent explicit donor restrictions to the contrary. Although the Organization has a long-term fiduciary duty to the donor (and others) for a fund of perpetual duration, the preservation of the endowment's purchasing power is only one of several factors that are considered in managing and investing these funds. Furthermore, in accordance with UPMIFA, a portion of the endowment's historic dollar value may be appropriated for expenditure in support of the designated purposes of the endowment if this is consistent with a spending policy that otherwise satisfies the requisite standard of prudence under UPMIFA.

As a result of this interpretation, the Organization retains in perpetuity (1) the original value of gifts donated to the permanent endowment, (2) subsequent gifts to the endowment, and (3) accumulations made pursuant to the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

In general, investment returns on the Organization's endowment are available for retention or appropriation based on the same prudent standards and policies established by the Board of Directors and are classified as net assets with donor restrictions until the returns are appropriated for expenditure by the Board of Directors and, if the use of the investment return is restricted by the donor, until the restriction has also been satisfied. Any investment return retained in perpetuity represents only those amounts required to be retained permanently as a result of explicit donor stipulations.

Overview of Endowment Funds Spending Policy

The Board of Directors of the Free Clinic recognize their responsibility to manage all funds entrusted to the Endowment Fund in a prudent manner, with the understanding that the primary purpose of these funds is to meet the long range needs of the Free Clinic. These policies are intended to assure the optimum investment opportunity for all of the money received, whether funds are to be expended in the short or long term.

These notes are an integral part of the financial statements

A portion of the Endowment Funds may be needed annually; however, the Finance Committee shall determine each year, based on the annual budget, whether any of the Endowment Fund will be needed for the upcoming year. If funds are needed, they should ensure that there is sufficient liquidity in the Free Clinic's investments to allow for such distributions.

On the other hand, it is expected that the Endowment Funds will be permanent in nature and therefore these funds shall be invested for the long-term. It is essential to follow coordinated policies regarding fund-raising, spending and investment which will protect the principal of the funds and produce a reasonable rate of return.

The annual expenditure from the Endowed Funds shall generally be equal to not more than 5% of the average ending balance in the Endowed Funds as of the end of the prior three fiscal years. To the extent such funds are not needed for operations, such amounts may remain in the Endowed Funds account to continue to grow for future needs. \$30,000 of Endowment Funds were appropriated for expenditure for the year ended June 30, 2021. There were no Endowment Funds appropriated for expenditure for the year ended June 30, 2020.

Overview of Endowment Investment Policy

To the extent consistent with UPMIFA, the Endowment Fund shall be invested in accordance with the Free Clinic's Investment Policy for Long-Term Investments, but also considering the following guidelines:

- Spending will be limited to a spending budget determined in advance each year. The funds needed to meet the approved spending budget will come from interest and dividends and from capital appreciation, as needed. Current income realized in excess of immediate spending requirements may be reinvested.
- While endowment funds will be pooled for investment purposes, the pools may be utilized to accommodate donors' special needs. When requested, the account will be reported clearly to account for specific donor gifts.

The expenditure goals for the Free Clinic's Endowment Fund, to the extent consistent with UPMIFA, are as follows:

- To provide an annual total return sufficient to support Free Clinic activities and programs. The targeted annual expenditure from the Endowment Fund shall generally be equal to, but not more than, 5% of the average ending balance in the Endowment Fund as of the end of the prior three fiscal years. If circumstances warrant, annual expenditures may be increased up to a maximum of 10%, upon approval by the Board of Directors.
- To pay up to 1% to cover the Free Clinic's administrative costs to oversee the Endowment Funds.
- Within defined risk parameters, to target a growth rate on the principal amount of the Endowment Fund over a market cycle of not less than the rate of inflation as measured by the Portland area Consumer Price Index. A market cycle is normally defined as a 3 to 5 year period.
- To the extent such funds are not needed from the Endowment Fund for operations, such amount may remain in the Endowment Fund account to continue to grow for future needs.

Endowment Net Assets Composition by Type of Fund As of June 30, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Contributions to			
Perpetual Endowment	\$ 0	\$ 250,255	\$ 250,255
Gains on Endowment Funds	<u>0</u>	<u>243,425</u>	<u>243,425</u>
	<u>\$ 0</u>	<u>\$ 493,680</u>	<u>\$ 493,680</u>

These notes are an integral part of the financial statements

**Endowment Net Assets Composition by Type of Fund
As of June 30, 2020**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Contributions to			
Perpetual Endowment	\$ 0	\$ 249,345	\$ 249,345
Gains on Endowment Funds	<u>0</u>	<u>172,999</u>	<u>172,999</u>
	<u>\$ 0</u>	<u>\$ 422,344</u>	<u>\$ 422,344</u>

**Changes in Endowment Net Assets
For the Fiscal Year Ended June 30, 2021**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets,			
Beginning of year	\$ 0	\$ 422,344	\$ 422,344
Investment return:			
Investment Income	0	6,546	6,546
Net Appreciation (realized and unrealized)	<u>0</u>	<u>93,879</u>	<u>93,879</u>
Total Investment return	0	100,426	100,426
Contributions	0	911	911
Appropriation of endowment			
Assets for expenditure	<u>0</u>	<u>(30,000)</u>	<u>(30,000)</u>
Endowment net assets, End of year	<u>\$ 0</u>	<u>\$ 493,680</u>	<u>\$ 493,680</u>

**Changes in Endowment Net Assets
For the Fiscal Year Ended June 30, 2020**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets,			
Beginning of year	\$ 0	\$ 383,375	\$ 383,375
Investment return:			
Investment Income	0	8,148	8,148
Net Appreciation (realized and unrealized)	<u>0</u>	<u>20,049</u>	<u>20,049</u>
Total Investment return	0	28,197	28,197
Contributions	0	10,772	10,772
Appropriation of endowment			
Assets for expenditure	<u>0</u>	<u>0</u>	<u>0</u>
Endowment net assets, End of year	<u>\$ 0</u>	<u>\$ 422,344</u>	<u>\$ 422,344</u>

As of June 30, 2021 and 2020, \$250,255 and \$249,345, respectively, of Endowment Funds are required to be held in perpetuity by explicit donor stipulation or by UPMIFA. Any earnings in excess of this amount are available for any purpose within Free Clinic's mission.

These notes are an integral part of the financial statements

8. Net Assets With Donor Restrictions

As of June 30, 2021 and 2020, the balance in Net Assets With Donor Restrictions are restricted for the following purposes or periods:

	<u>6/30/21</u>	<u>6/30/20</u>
<i>Subject to donor restrictions, Organization's Endowment Funds policy, UPMIFA and appropriation:</i>		
Donations to Perpetual Endowment	\$ 250,255	\$ 249,345
Unappropriated Endowment Earnings	<u>243,425</u>	<u>172,999</u>
	\$ 493,680	\$ 422,344
 <i>Subject to expenditure for donor specified purpose:</i>		
Project Access	\$ 14,983	\$ 91,256
Dental Program	7,479	65,004
Basic Health Clinics	93,292	175,313
Access to Care Fund	0	15,413
Outreach and Fund Raising	<u>3,026</u>	<u>3,026</u>
Subtotal Net Assets Subject to Donor Purpose Restrictions	<u>118,780</u>	<u>350,012</u>
Total Net Assets With Donor Restrictions	\$ <u>612,460</u>	\$ <u>772,356</u>

9. Retirement Plan

The Free Clinic sponsors a SIMPLE retirement plan for the benefit of its eligible employees. Employer contributions to the plan are made at the rate of 3% of eligible compensation. The Free Clinic contributed \$4,485 to this plan for the year ended June 30, 2021, and \$5,382 for the year ended June 30, 2020.

10. Board-Designated Reserves

The Board of Directors has set aside funds designated as Board-Designated Reserves to be used for general operations in the event of unexpected circumstances. The Reserves are meant to ensure the ongoing operation of services in the event of an unexpected drop in revenues, and they are not intended for current operations.

11. Payroll Protection Program Loan Forgiveness

On April 21, 2020, the Free Clinic received a \$72,000 unsecured loan from a bank, bearing interest at an annual interest rate of 1%. Under the original terms of the loan, repayments commence November 25, 2020 in equal monthly installments of \$4,052 through April 25, 2022, unless the loan is forgiven or repaid earlier. There is no penalty for prepayment.

Under the terms of the loan, the Free Clinic applied for forgiveness of the amount due on the loan, in full, in the amount equal to the sum of qualifying payroll costs incurred by the Free Clinic prior to June 30, 2020. The amount of the loan forgiveness was calculated in accordance with the requirements of the Payroll Protection Program established by the federal Coronavirus Aid, Relief, and Economic Security Act, and rules and regulations issued by the Small Business Administration. The loan was forgiven in full by the bank in February, 2021. The Free Clinic accounted for the loan in accordance with FASB ASC 958-605, as a conditional contribution for the year ended June 30, 2020.

These notes are an integral part of the financial statements

12. Subsequent Events

The Organization has evaluated subsequent events through November 9, 2021, the date on which the financial statements were available to be issued.

The Organization's operations may be affected by the ongoing outbreak of the coronavirus disease 2019 (COVID-19) which was declared a pandemic by the World Health Organization in March 2020. The ultimate disruption which may be caused by the outbreak is uncertain; however, it may result in a material adverse impact on the Organization's financial position and operations. Possible effects may include, but are not limited to, disruption to the Organization's revenue streams, absenteeism in the volunteer and employed workforce, unavailability of medications and supplies essential to operations, decreased availability of community medical services for patients, and a decline in value of assets held by the Company, including investments and property and equipment.