

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

FINANCIAL STATEMENTS FOR THE YEARS
ENDED JUNE 30, 2011 AND 2010
an Independent Auditor's Report

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

FINANCIAL STATEMENTS FOR THE YEARS ENDED
JUNE 30, 2011 AND 2010

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MICHAEL J. PLYMALE, INC., P.S.
Certified Public Accountant

INDEPENDENT AUDITOR'S REPORT

To the Finance Committee
Board of Directors
Free Clinic of Southwest Washington
Vancouver, Washington

We have audited the accompanying statements of financial position of Free Clinic of Southwest Washington (a non-profit organization) as of June 30, 2011 and 2010, and the related statements of activities, functional expenses and cash flows for the fiscal years then ended. These financial statements are the responsibility of Free Clinic of Southwest Washington's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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 and the changes in net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

MICHAEL J. PLYMALE, INC., P.S.



Vancouver, Washington
October 14, 2011



Free Clinic of Southwest Washington
Statements of Financial Position
June 30, 2011 and 2010

ASSETS	<u>6/30/11</u>	<u>6/30/10</u>
Current Assets:		
Cash and Cash Equivalents	393,224	436,228
American Funds Investment Account	274,505	175,769
Accounts Receivable	2,055	-
Grants Receivable	57,835	108,835
Pledges Receivable	6,040	-
Prepaid Expenses	31,773	26,615
Total Current Assets	<u>765,432</u>	<u>747,447</u>
Noncurrent Assets:		
Endowment Investments	256,149	216,812
Equipment	526,429	553,448
Less: Accumulated Depreciation	(311,016)	(293,340)
Leasehold Improvements	591,525	591,526
Less: Accumulated Amortization	(177,821)	(157,775)
Total Noncurrent Assets	<u>885,266</u>	<u>910,671</u>
Total Assets	<u><u>1,650,698</u></u>	<u><u>1,658,118</u></u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accrued Payroll	19,801	19,051
Payroll Withholdings	231	-
Accounts Payable	9,498	10,153
Accrued Vacation Payable	13,818	12,955
Total Current Liabilities	<u>43,348</u>	<u>42,159</u>
Net Assets:		
Unrestricted		
Available for General Operations	319,460	214,976
Board-Designated Reserves	100,000	100,000
Net Investment in Fixed Assets	629,117	693,860
Subtotal - Unrestricted	<u>1,048,577</u>	<u>1,008,836</u>
Temporarily Restricted	350,273	398,623
Permanently Restricted - Endowment	208,500	208,500
Total Net Assets	<u><u>1,607,350</u></u>	<u><u>1,615,959</u></u>
Total Liabilities and Net Assets	<u><u>1,650,698</u></u>	<u><u>1,658,118</u></u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

Free Clinic of Southwest Washington
Statement of Activities
Year Ended June 30, 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total FYE 6/30/11
Revenue, Gains and Other Support:				
Individual Donations	234,384	67,240	-	301,624
Business & Organization Donations	151,964	108,700	-	260,664
Patient Donations	41,709	-	-	41,709
Foundation Grants	3,750	111,196	-	114,946
Special Events	137,688	-	-	137,688
Gov't Contract Service Revenue	6,749	-	-	6,749
Bequests, Memorials, Planned Gifts	15,841	360	-	16,201
Interest & Investment Earnings	51,064	39,336	-	90,400
Other Income	2,114	-	-	2,114
Donated Materials	160,929	-	-	160,929
Donated Use of Facilities	97,620	-	-	97,620
Donated Services	478,784	-	-	478,784
Net Assets Released from Restrictions	375,182	(375,182)	-	-
Total Revenue, Gains and Other Support	1,757,778	(48,350)	-	1,709,428
Expenses:				
Program Service Expenses	1,464,439	-	-	1,464,439
Management & General Expenses	101,894	-	-	101,894
Fundraising Expenses	151,704	-	-	151,704
Total Expenses	1,718,037	-	-	1,718,037
Change in Net Assets	39,741	(48,350)	-	(8,609)
Net Assets at Beginning of Year	1,008,836	398,623	208,500	1,615,959
Net Assets at End of Year	1,048,577	350,273	208,500	1,607,350

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

Free Clinic of Southwest Washington
Statement of Activities
Year Ended June 30, 2010

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total FYE 6/30/10
Revenue, Gains and Other Support:				
Individual Donations	131,790	26,800	-	158,590
Business & Organization Donations	62,084	92,050	-	154,134
Patient Donations	36,790	-	-	36,790
Foundation Grants	26,000	108,750	-	134,750
Special Events	146,396	-	-	146,396
Bequests, Memorials, Planned Gifts	19,842	-	-	19,842
Interest & Investment Earnings	29,105	8,312	-	37,417
Other Income	328	-	-	328
Donated Materials	34,307	-	-	34,307
Donated Use of Facilities	95,820	-	-	95,820
Donated Services	509,219	-	-	509,219
Net Assets Released from Restrictions	410,171	(410,171)	-	-
Total Revenue, Gains and Other Support	1,501,851	(174,259)	-	1,327,592
Expenses:				
Program Service Expenses	1,332,075	-	-	1,332,075
Management & General Expenses	117,382	-	-	117,382
Fundraising Expenses	138,411	-	-	138,411
Total Expenses	1,587,867	-	-	1,587,867
Change in Net Assets	(86,016)	(174,259)	-	(260,275)
Net Assets at Beginning of Year	1,094,852	572,882	208,500	1,876,234
Net Assets at End of Year	1,008,836	398,623	208,500	1,615,959

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

Free Clinic of Southwest Washington
Statement of Functional Expenses
Year Ended June 30, 2011

	Program Expenses										Total Program Expenses	Mgmt. & General	Fund-Raising	Total Expenses
	Volunteer Program	Basic Health	Sports Physicals	Project Access	Dispersary	Diabetes Transition Services	Health Screening	Dental Program	Immunization	Vision Program				
Salaries	-	72,736	5,743	83,626	51,721	-	3,193	88,341	14,835	4,815	325,010	25,967	83,054	434,031
Payroll Taxes	1,493	8,289	684	10,125	6,148	-	365	10,407	1,673	553	39,737	2,988	9,493	52,218
Health & Retirement Benefits	-	7,784	374	12,167	5,950	-	229	9,506	1,699	412	38,121	1,242	6,424	45,787
Accrued Vacation Expense	-	120	(54)	(523)	(792)	-	(54)	219	(8)	(31)	(1,123)	623	1,363	863
Professional Fees	3,675	5,600	-	14,402	-	219	-	24,523	167	158	48,744	48,180	2,850	99,774
Printing & Copying	203	211	3	161	36	-	1	112	13	5	745	55	1,469	2,269
Postage & Delivery	40	354	10	1,351	153	-	6	396	52	19	2,381	550	1,220	4,151
Subscriptions & Periodicals	12	-	-	-	-	-	-	-	-	-	12	-	-	12
Advertising	-	-	-	50	-	-	-	50	-	-	100	75	-	175
Technology	1,508	1,237	11	413	160	-	-	846	1,039	20	5,240	1,106	3,758	10,104
Insurance	-	4,558	160	5,993	2,324	-	91	5,219	798	296	19,439	4,928	1,322	25,689
Radiology	-	22,529	-	-	-	-	-	-	-	-	22,529	-	-	22,529
Vouchered Prescriptions	-	3,891	-	5,644	1,872	-	-	-	-	-	11,407	-	-	11,407
Bulk Pharmaceuticals	-	16,059	-	-	13,243	1,786	-	-	-	-	31,088	-	-	31,088
Head Lice Kits	-	4,907	-	-	-	-	-	-	-	-	4,907	-	-	4,907
Vaccines	-	1,868	-	-	-	-	-	-	84	-	1,952	-	-	1,952
Office Supplies	583	5,461	17	2,023	242	-	10	1,108	303	164	9,911	1,955	382	12,248
Newsletters / Direct Mailing	-	-	-	-	-	-	-	-	-	-	-	-	3,220	3,220
Medical, Dental & Clinic Supplies	-	8,652	-	-	-	2,008	5,999	41,637	511	182	58,989	-	-	58,989
Occupancy	510	18,774	3	1,118	38	-	1	2,645	239	5	23,333	671	633	24,637
Website	-	16	1	21	8	-	-	868	3	1	918	876	5	1,799
Recognition & Board Expenses	1,037	143	-	-	-	-	-	64	-	-	1,244	3,714	-	4,958
Volunteer Refreshments	-	1,425	-	13	-	-	-	-	-	-	1,438	-	17	1,455
Travel & Mileage	-	237	-	1,215	-	-	-	617	110	-	2,262	379	178	2,819
Dental Van Operations	-	-	-	-	-	-	-	9,609	-	-	9,609	-	-	9,609
Dental Van Repairs & Maintenance	-	-	-	-	-	-	-	2,332	-	-	2,332	-	-	2,332
Merchant Fees	-	-	-	-	-	-	-	-	-	-	-	3,597	-	3,597
Dues & Fees	60	337	5	180	70	-	3	157	24	9	845	455	290	1,590
Staff Development / Conferences	37	37	-	190	-	-	-	37	-	-	301	-	15	316
Volunteer Training	178	-	-	-	-	-	-	-	-	-	178	-	-	178
Special Events	-	-	-	-	-	-	-	-	-	-	-	-	27,885	27,885
Depreciation & Amortization	883	8,733	306	11,483	4,454	-	175	33,640	1,528	568	61,770	3,885	5,179	70,834
Loss on Disposal of Fixed Assets	-	1,456	49	1,916	744	-	30	1,667	255	95	6,212	648	422	7,282
Allocation of Volunteer Program Expenses	(10,302)	8,757	-	515	-	-	-	1,030	-	-	-	-	-	-
In-Kind Expenses:														
Donated Professional Services	-	332,227	-	7,929	38,551	9,659	3,780	50,405	15,673	20,560	478,784	-	-	478,784
Donated Use of Facilities	-	97,620	-	-	-	-	-	-	-	-	97,620	-	-	97,620
Donated Materials	-	152,396	-	-	-	-	-	6,008	-	-	158,404	-	2,525	160,929
	-	786,414	7,312	160,012	124,922	13,672	13,835	291,443	38,998	27,831	1,464,439	101,894	151,704	1,718,037

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

Free Clinic of Southwest Washington
Statement of Functional Expenses
Year Ended June 30, 2010

	Program Expenses										Total Program Expenses	Mgmt. & General	Fund-Raising	Total Expenses
	Volunteer Program	Basic Health	Sports Physicals	Project Access	Dispensary	Diabetes Transition Services	Health Screening	Dental Program	Immunization	Vision Program				
Salaries	31,120	48,107	10,424	82,544	48,163	-	3,065	86,479	16,787	4,294	330,983	36,000	57,262	424,245
Payroll Taxes	4,682	5,586	1,181	9,602	5,638	-	346	9,982	1,949	489	39,455	5,084	6,689	51,228
Health & Retirement Benefits	2,928	5,125	732	8,988	5,328	-	203	8,175	1,790	325	33,594	1,785	5,450	40,829
Accrued Vacation Expense	1,128	643	189	963	1,272	-	48	811	189	93	5,336	1,386	1,036	7,758
Professional Fees	4,167	2,693	-	15,454	-	-	-	22,260	833	792	46,199	53,957	-	100,156
Printing & Copying	409	500	4	485	48	-	-	210	30	14	1,700	1,278	1,281	4,259
Postage & Delivery	2	427	29	796	295	-	-	722	189	88	2,549	162	295	3,006
Subscriptions & Periodicals	9	-	-	-	-	-	-	-	-	-	9	-	24	33
Advertising	-	64	1	50	10	-	-	24	6	3	157	5	35	196
Technology	1,912	700	48	1,272	483	-	-	1,183	1,335	145	7,078	349	483	7,910
Insurance	-	3,495	241	6,268	2,411	-	-	5,906	1,446	723	20,490	4,521	2,411	27,422
Radiology	-	20,700	-	-	-	-	-	-	-	-	20,700	-	-	20,700
Vouchered Prescriptions	-	818	-	9,610	5,851	-	-	-	-	-	16,279	-	-	16,279
Bulk Pharmaceuticals	-	5,548	-	-	20,802	-	-	-	-	-	26,350	-	-	26,350
Head Lice Kits	-	5,184	-	-	-	-	-	-	-	-	5,184	-	-	5,184
Office Supplies	315	7,178	24	2,139	243	-	-	635	146	95	10,775	1,937	485	13,197
Newsletters / Direct Mailing	-	-	-	-	-	-	-	-	-	-	-	-	7,225	7,225
Medical, Dental & Clinic Supplies	-	9,601	-	-	338	-	4,922	21,711	553	1,682	38,807	-	-	38,807
Occupancy	465	16,591	2	976	18	-	-	1,203	11	5	19,270	2,216	576	22,062
Website	-	126	9	226	87	-	-	213	52	26	739	43	87	869
Recognition & Board Expenses	116	38	1	1,811	8	-	-	19	5	2	2,001	2,784	208	4,992
Volunteer Refreshments	-	3,678	-	140	-	-	-	-	53	-	3,871	-	8	3,879
Travel & Mileage	631	187	0	976	21	-	-	164	1	101	2,081	1	154	2,235
Dental Van Operations	-	-	-	-	-	-	-	6,708	-	-	6,708	-	-	6,708
Dental Van Repairs & Maintenance	-	-	-	-	-	-	-	2,169	-	-	2,169	-	-	2,169
Merchant Fees	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dues & Fees	-	51	4	92	35	-	-	87	21	11	302	2,635	118	2,753
Staff Development / Conferences	69	61	2	46	18	-	-	43	11	5	254	993	330	1,625
Special Events	-	-	-	-	-	-	-	-	-	-	-	9	308	570
Depreciation & Amortization	883	6,468	446	11,598	4,461	-	-	-	-	-	61,359	-	36,481	36,481
Miscellaneous Expenses	-	71	1	27	10	-	-	33,487	2,677	1,338	61,359	2,230	7,109	70,698
Allocation of Volunteer Program Expenses	(48,836)	41,510	-	2,442	-	-	-	25	6	3	143	5	47	196
In-Kind Expenses:								4,884	-	-	-	-	-	-
Donated Professional Services	-	509,219	-	-	-	-	-	-	-	-	509,219	-	-	509,219
Donated Use of Facilities	-	95,820	-	-	-	-	-	-	-	-	95,820	-	-	95,820
Donated Materials	-	15,549	-	-	5,947	-	-	1,000	-	-	22,496	-	10,311	32,807
	-	805,740	13,338	156,504	101,485	-	8,584	208,101	28,088	10,235	1,332,075	117,382	138,411	1,587,867

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

Free Clinic of Southwest Washington
Statements of Cash Flows
Years Ended June 30, 2011 and 2010

	<u>6/30/11</u>	<u>6/30/10</u>
Cash Flows From Operating Activities:		
Increase in net assets	(8,609)	(260,275)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation and amortization	37,723	70,698
Changes in:		
Investments	(88,072)	(33,894)
Accounts receivable	(2,055)	2,553
Grants & pledges receivable	44,960	159,525
Prepaid expenses	(5,158)	(271)
Accounts payable	(654)	(23,954)
Accrued payroll & related	981	(266)
Accrued vacation	863	7,758
Net cash provided by operating activities	<u>(20,021)</u>	<u>(78,125)</u>
Cash flows from investing activities:		
Purchase of equipment	(13,378)	(10,744)
Disposition of equipment	40,395	-
Purchase of investments	<u>(50,000)</u>	<u>75,069</u>
	<u>(22,983)</u>	<u>64,325</u>
Net increase (decrease) in cash and cash equivalents	(43,004)	(13,800)
Cash and Cash Equivalents at Beginning of Year	<u>436,228</u>	<u>450,028</u>
Cash and Cash Equivalents at End of Year	<u><u>393,224</u></u>	<u><u>436,228</u></u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

Free Clinic of Southwest Washington

Notes to Financial Statements

Years Ended June 30, 2011 and 2010

1. Organization

The Free Clinic of Southwest Washington ("FCSW" or "the Organization") is a nonprofit corporation located in Vancouver, Washington. The Organization provides free urgent health care for uninsured low income individuals and families. FCSW serves adults and children. Services include urgent primary care and dental care, immunizations, sports physicals, dental sealants and fluoride treatments for children, health screening services, vision clinics, and emergency prescription assistance and transitional diabetes care. FCSW also coordinates access to specialty care services in the community for uninsured individuals through the Project Access program. A unique feature of FCSW is that all health services are provided by over 600 professional, technical and clerical volunteers.

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.

Basis of Presentation – Net assets and all balances and transactions are presented based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

- *Unrestricted net assets* – Net assets not subject to donor-imposed stipulations.
- *Temporarily restricted net assets* – Net assets subject to donor-imposed stipulations that will be met by actions of the Organization and/or the passage of time.
- *Permanently restricted net assets* – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization.

Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expiration of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

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 – All contributions and grants are considered available for unrestricted use unless specifically restricted by the donor. 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 – FCSW receives a significant amount of donated services requiring specialized clinical skills. 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, 2011, \$478,784 of contributed professional services were recorded. During the year ended June 30, 2010, \$509,219 of contributed professional services were recorded.

FCSW 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.

Capital Assets and Depreciation – Capital assets are reported at cost when purchased and at fair market value when acquired by gift. FCSW 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.

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*, for the years ending June 30, 2009, 2010 and 2011 are subject to examination by the IRS, generally for three years after they were 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 to be cash equivalents.

3. Investments

FCSW invests part of its funds in a pool of mutual funds managed by the Community Foundation for Southwest Washington for the benefit of nonprofits, and part of its funds with LPL Financial. The investments are reported by both entities at fair market value, which is determined by using quoted market prices. The policies of both the Community Foundation for Southwest Washington, and FCSW provide that no investment or group of investments may represent a significant concentration of market risk. The investment pool does not separately report realized and unrealized gains and losses.

FCSW did not give variance power to the Community Foundation for Southwest Washington. Earnings can be withdrawn upon written request of the President and Treasurer of FCSW and can be payable only to FCSW. FCSW shall give the Community Foundation for Southwest Washington 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 investment for the year ended June 30, 2011 from the Community Foundation for Southwest Washington investment pool resulted in investment gains of \$39,337. The ending fund balance was \$251,149. The investment for the year ended June 30, 2010 resulted in investment gains of \$22,724. The ending fund balance was \$211,812.

The investment for the year ended June 30, 2011 for the account held at LPL Financial Partners, Inc. resulted in net gains of \$48,736. The ending balance was \$274,505. FCSW also added \$50,000 to its account during the year ended June 30, 2011. All the funds managed by LPL Financial Partners are invested in American Funds mutual funds. The investment for the year ended June 30, 2010 resulted in net gains of \$ 11,168. The ending balance was \$175,769.

Investments consist of the following:

	<u>6/30/11</u>	<u>6/30/10</u>
Cash and Money Funds	\$ 5,000	\$ 5,000
Vanguard Balanced Mutual Fund	251,149	211,812
American Funds Mutual Funds:		
Capital World Growth and Income Fund	\$ 43,189	\$ 33,379
Capital Income Builder	16,993	-
The Income Fund of America	16,919	-
Intermediate Bond Fund of America	48,727	-
AMCAP Fund	12,073	9,262
EuroPacific Growth Fund	10,739	8,322
Growth Fund of America	22,819	17,879
International Growth & Income Fund	21,794	16,683
New Economy Fund	11,687	8,850
New Perspective Fund	-	8,652
New World Fund	11,311	18,182
SMALLCAP World Fund	13,707	19,246
Investment Company of America	44,547	35,314
	<u>\$ 530,654</u>	<u>\$ 392,581</u>

The investment return for the year ending June 30, 2011 and 2010 breaks down as follows:

	<u>6/30/11</u>	<u>6/30/10</u>
Interest and Dividends	\$ 12,518	\$ 13,820
Gains & Losses (Realized & Unrealized)	<u>77,881</u>	<u>23,597</u>
Total	<u>\$ 90,399</u>	<u>\$ 37,417</u>

Fair value is a market based measurement determined based on the assumptions that market participants use in pricing an asset or liability. There are three levels, which prioritize the inputs used in measuring fair value as follows:

- Level 1: Observable market inputs such as quoted prices (adjusted) in active markets for identical assets or liabilities
- Level 2: Observable market inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; and
- Level 3: Unobservable inputs where there is little or no market data, which require the reporting entity to develop its own assumptions.

The inputs or methodology used in valuing investments is not necessarily an indication of the risk associated with investing in those securities.

As of June 30, 2011, the fair value of the investments was determined using Level 1 inputs. As of June 30, 2010, the fair value of the investments was determined using Level 1 inputs.

4. Commitments

FCSW 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 monthly janitorial maintenance expenses and certain utilities. The Organization is also responsible for all insurance, maintenance, repairs and taxes on their portion of the facility.

5. Concentration of Credit Risk

FCSW maintains cash and certificates of deposit at three financial institutions in the Vancouver 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, and after June 30, 2010 the policy is to maintain less than \$250,000 at any one institution regardless of the amount of interest being earned.

6. Contributions Receivable

Contributions receivable are as follows:

	<u>6/30/11</u>	<u>6/30/10</u>
Grant receivable from Meyer Memorial Trust for Project Access Clark County Program	\$ 57,835	57,835
Grant receivable from M.J. Murdock Charitable Trust for Project Access Clark County	-	51,000
Misc. contributions receivable	<u>6,040</u>	<u> </u>
	<u>\$ 63,875</u>	<u>108,835</u>

7. Temporarily Restricted Net Assets

At June 30, 2011 and 2010, the balance in Temporarily Restricted Net Assets consists of donor restricted grants and donations which have been restricted to the following programs:

	<u>6/30/11</u>	<u>6/30/10</u>
Unappropriated Endowment Earnings	\$ 47,649	8,312
Project Access	173,859	245,318
Dental Program	107,389	130,298
Basic Health Clinics	1,547	5,184
Medications	2,107	6,723
Immunization program	248	2,273
Hearing Aids	515	515
Diabetes Transition Services	15,309	-
Outreach and Fund Raising	1,650	-
	<u>\$ 350,273</u>	<u>398,623</u>

8. 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 classifies as permanently restricted net assets (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, therefore, are classified as temporarily restricted net assets 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 classified as permanently restricted net assets represents only those amounts required to be retained permanently as a result of explicit donor stipulations.

Overview of Endowment Spending Funds Policy

The Board of Directors of FCSW 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 FCSW. 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.

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 FCSW'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.

Overview of Endowment Investment Policy

The stated investment goals of the Organization, to the extent consistent with UPMIFA, are:

- To provide an annual total return sufficient to support Free Clinic activities and programs. To provide 5% of the previous fiscal year-end balance as the target spending rate, and to allow a higher spending rate, up to a maximum of 10%, upon approval by the Board of Directors. In addition, to provide 1% to cover administrative assessments against the Endowment Funds.
- Within defined risk parameters, to achieve a growth rate on the principal amount of the endowment 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.
- Recognizing the difficulty of achieving the investment objectives in light of the uncertainties and complexities of contemporary investment markets, the Board of Directors understands that some risk must be assumed to achieve FCSW's long-term return objective. However, it is important the Endowment Funds not incur years of principal loss and therefore the Organization should retain money managers who have a long-term (optimally ten-year) positive investment history and whose stated purpose is to serve the conservative needs of individuals who are charged with the fiduciary responsibility of investing funds.
- To provide an annual total return sufficient to support FCSW 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 FCSW'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.
- The Organization classifies earnings on its Endowment Funds as Temporarily Restricted Endowment Funds.

In the year ending June 30, 2011, the Organization had the following endowment-related activities:

	Permanently Restricted Endowment Funds	Temporarily Restricted Endowment Funds	Total Endowment	Unrestricted Operating Funds	Grand Total
Investment Returns					
Investment Income	\$ -	\$ 5,782	\$ 5,782	\$ -	\$ 5,782
Net Appreciation	-	33,554	33,554	-	33,554
Total investment return	-	39,336	39,336	-	39,336
Contributions to perpetual endowment	-	-	-	-	-
Amounts appropriated for expenditure	-	-	-	-	-
Total change in endowment funds	\$ -	\$ 39,336	\$ 39,336	\$ -	\$ 39,336

In the year ending June 30, 2010, the Organization had the following endowment-related activities:

	Permanently Restricted Endowment Funds	Temporarily Restricted Endowment Funds	Total Endowment	Unrestricted Operating Funds	Grand Total
Investment Returns					
Investment Income	\$ -	\$ 5,788	\$ 5,788	\$ -	\$ 5,788
Net Appreciation	-	2,524	2,524	14,412	16,936
Total investment return	-	8,312	8,312	14,412	22,724
Contributions to perpetual endowment	-	-	-	-	-
Amounts appropriated for expenditure	-	-	-	-	-
Total change in endowment funds	\$ -	\$ 8,312	\$ 8,312	\$ 14,412	\$ 22,724

**Endowment Net Asset Composition by Type of Fund
As of June 30, 2011**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ -	\$ 208,500	\$ 208,500
Temporarily restricted - gains on endowment funds		39,336	-	39,336
	\$ -	\$ 39,336	\$ 208,500	\$ 247,836

**Endowment Net Asset Composition by Type of Fund
As of June 30, 2010**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ -	\$ 208,500	\$ 208,500
Temporarily restricted - gains on endowment funds	-	8,312	-	8,312
	\$ -	\$ 8,312	\$ 208,500	\$ 216,812

**Changes in Endowment Net Assets
for the Fiscal Year Ended June 30, 2011**

	Donor- Restricted Endowment Funds	Temporarily Restricted Endowment Funds	Total - Endowment
Endowment net assets, beginning of year	\$ 208,500	\$ 8,312	\$ 216,812
Investment return:			
Investment income	-	5,782	5,782
Net appreciation (realized and unrealized)	-	33,554	33,554
Total investment return	-	39,336	39,336
Contributions	-	-	-
Appropriation of endowment assets for expenditure	-	-	-
Endowment net assets, end of year	\$ 208,500	\$ 47,648	\$ 256,148

**Changes in Endowment Net Assets
for the Fiscal Year Ended June 30, 2010**

	Donor- Restricted Endowment Funds	Temporarily Restricted Endowment Funds	Total - Endowment
Endowment net assets, beginning of year	\$ 208,500	\$ -	\$ 208,500
Investment return:			
Investment income	-	5,788	5,788
Net appreciation (realized and unrealized)	-	2,524	2,524
Total investment return	-	8,312	8,312
Contributions	-	-	-
Appropriation of endowment assets for expenditure	-	-	-
Endowment net assets, end of year	\$ 208,500	\$ 8,312	\$ 216,812

Description of Amounts Classified as Permanently Restricted Net Assets and Temporarily Restricted Net Assets (Endowment Only)

Permanently Restricted Net Assets

	<u>6/30/11</u>	<u>6/30/10</u>
(1) The portion of perpetual endowment funds that is retained permanently by explicit donor stipulation or by UPMIFA	\$ <u>208,500</u>	<u>208,500</u>
Total endowment funds classified as permanently restricted net assets	\$ <u>208,500</u>	<u>208,500</u>

Any earnings in excess over the permanently restricted endowment balance are available for any purpose within FCSW's mission.

9. Retirement Plan

FCSW 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. FCSW contributed \$5,403 to this plan for the year ended June 30, 2011. FCSW contributed \$4,781 to this plan for the year ended June 30, 2010.

10. Board-Designated Reserves

The board 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. Subsequent Events

The Organization has evaluated subsequent events through October 14, 2011, the date on which the financial statements were available to be issued.