

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

FINANCIAL STATEMENTS FOR THE YEARS
ENDED JUNE 30, 2020 AND 2019
an Independent Auditor's Report

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

FINANCIAL STATEMENTS FOR THE YEARS ENDED
JUNE 30, 2020 AND 2019

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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, 2020 and 2019, 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, 2020 and 2019, 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

PLYMALE & GILLESPIE CPAs, PLLC

Michael Gillespie
Certified Public Accountant
November 18, 2020

Free Clinic of Southwest Washington
 Statements of Financial Position
 Years Ended June 30, 2020 and June 30, 2019

	ASSETS	
	06/30/20	06/30/19
Current Assets:		
Cash and Cash Equivalents	\$ 429,375	\$ 189,366
American Funds Investment Account	337,647	315,108
Vanguard Investment Account - Reserves	476,721	174,371
Accounts Receivable	2,219	6,921
Grants Receivable - Current Portion	75,000	-
Prepaid Expense	13,543	17,785
Total Current Assets	1,334,505	703,551
Noncurrent Assets:		
Endowment Investments	422,343	383,375
Grants Receivable - Long-Term Portion	25,000	-
Equipment	171,741	417,598
Less: Accumulated Depreciation	(145,980)	(382,355)
Leasehold Improvements	597,736	597,736
Less: Accumulated Amortization	(357,706)	(337,532)
Total Noncurrent Assets	713,134	678,822
Total Assets	\$ 2,047,639	\$ 1,382,373

LIABILITIES AND NET ASSETS

Current Liabilities:		
Accrued Payroll	\$ 27,614	\$ 15,135
Payroll Withholdings	1,548	2,061
Accounts Payable	3,588	4,717
Accrued Vacation Payable	14,655	7,423
Total Current Liabilities	47,405	29,336
Net Assets:		
Without Donor Restrictions		
Available for General Operations	862,087	491,427
Board-Designated Reserves	100,000	100,000
Net Investment in Fixed Assets	265,791	295,447
Subtotal - Without Donor Restrictions	1,227,878	886,874
With Donor Restrictions	772,356	466,163
Total Net Assets	2,000,234	1,353,037
Total Liabilities and Net Assets	\$ 2,047,639	\$ 1,382,373

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 Activities
Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total FYE 6/30/19
Revenue, Gains and Other Support:			
Individual Donations	\$ 130,610	\$ 42,160	\$ 172,770
Business & Organization Donations	105,012	78,586	183,598
Patient Donations	43,759	-	43,759
Foundation Grants	-	41,377	41,377
Special Events	210,263	15,000	225,263
Contract Service Revenue	46,756	-	46,756
Bequests, Memorials, Planned Gifts	16,950	950	17,900
Interest & Investment Earnings	18,817	29,523	48,340
Donated Materials	53,702	-	53,702
Donated Use of Facilities	96,819	-	96,819
Donated Medical and Dental Services	580,731	-	580,731
Net Assets Released from Restrictions	284,145	(284,145)	-
Total Revenue, Gains and Other Support	<u>1,587,564</u>	<u>(76,549)</u>	<u>1,511,015</u>
Expenses:			
Program Service Expenses	1,261,145	-	1,261,145
Management & General Expenses	93,291	-	93,291
Fundraising Expenses	148,969	-	148,969
Total Expenses	<u>1,503,405</u>	<u>-</u>	<u>1,503,405</u>
Change in Net Assets	<u>84,159</u>	<u>(76,549)</u>	<u>7,610</u>
Net Assets at Beginning of Year	<u>802,715</u>	<u>542,712</u>	<u>1,345,427</u>
Net Assets at End of Year	<u>\$ 886,874</u>	<u>\$ 466,163</u>	<u>\$ 1,353,037</u>

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

Free Clinic of Southwest Washington
Statement of Functional Expenses
Year Ended June 30, 2019

	Program Expenses					Total Program Expenses	Mgmt. & General	Fund-Raising	Total Expenses
	Volunteer Program	Basic Health	Project Access	Dental Program	Total Program Expenses				
Salaries	\$ 18,166	132,899	\$ 61,071	\$ 69,263	\$ 281,399	\$ 23,757	\$ 88,329	\$ 393,485	
Payroll Taxes	1,800	14,018	6,469	7,166	29,453	2,237	8,254	39,944	
Health & Dental Insurance	1,222	8,530	3,272	4,516	17,540	873	3,403	21,816	
Retirement Benefits	203	1,421	545	752	2,921	145	567	3,633	
Accrued Vacation Expense	662	(2,485)	(126)	175	(1,774)	(2,640)	(3,997)	(8,411)	
Professional Fees	-	-	14,193	11,700	25,893	53,816	-	79,709	
Printing & Copying	-	1,419	516	550	2,485	1,249	1,083	4,817	
Postage & Delivery	-	419	153	163	735	116	177	1,028	
Advertising	-	-	-	-	-	790	-	790	
Technology	1,992	3,296	2,868	2,448	10,604	1,105	5,357	17,066	
Insurance	-	8,339	3,034	3,233	14,606	2,542	3,511	20,659	
Radiology	-	12,433	-	-	12,433	-	-	12,433	
Vouchered Prescriptions	-	338	3,532	-	3,870	-	-	3,870	
Bulk Pharmaceuticals	-	37,723	-	-	37,723	-	-	37,723	
Head Lice Kits	-	2,827	-	-	2,827	-	-	2,827	
Office Supplies	448	3,955	20	205	4,628	1,070	-	5,721	
Newsletters / Direct Mailing	-	-	-	-	-	-	23	1,116	
Medical, Dental & Clinic Supplies	-	15,987	-	14,242	30,229	-	-	30,229	
Occupancy	364	20,718	1,123	1,684	23,889	374	374	24,637	
Website	-	313	114	121	548	2,154	132	2,834	
Recognition & Board Expenses	793	39	-	-	832	1,006	-	1,838	
Volunteer Refreshments	42	322	-	222	586	-	-	586	
Travel & Mileage	135	-	-	-	135	188	-	323	
Equipment & Van Rental	-	1,140	-	1,500	2,640	-	-	2,640	
Dental Van Operations	-	-	-	1,942	1,942	-	-	1,942	
Dental Van Repairs & Maintenance	-	-	-	1,621	1,621	-	-	1,621	
Bank & Merchant Fees	-	1,519	552	588	2,659	364	3,729	6,752	
Dues & Fees	30	759	99	239	1,127	426	414	1,967	
Special Events	-	-	-	-	-	-	-	-	
Depreciation & Amortization	-	15,323	3,822	6,552	25,697	1,803	4,423	27,853	
Loss on Disposal of Fixed Assets	-	1,482	-	-	1,482	-	-	1,482	
Allocation of Volunteer Program Expenses	(25,857)	21,978	1,293	2,586	-	-	-	-	
In-Kind Expenses:									
Donated Medical and Dental Services	-	439,714	119,871	21,146	580,731	-	-	580,731	
Donated Use of Facilities	-	78,114	5,749	9,124	92,987	1,916	1,916	96,819	
Donated Materials	-	45,447	-	3,250	48,697	-	2,305	51,002	
	\$ -	\$ 867,987	\$ 228,170	\$ 164,988	\$ 1,261,145	\$ 93,291	\$ 148,969	\$ 1,503,405	

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

Free Clinic of Southwest Washington
Statements of Cash Flows
Years Ended June 30, 2020 and 2019

	6/30/20	6/30/19
Cash Flows From Operating Activities:		
Increase (decrease) in net assets	\$ 647,197	\$ 7,610
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation and amortization	30,181	31,923
Receipt of donated equipment	-	(2,700)
Changes in:		
Investments	(71,857)	(47,894)
Accounts receivable	4,702	(1,248)
Grants & pledges receivable	(100,000)	30,000
Prepaid expenses	4,242	1,527
Accounts payable	(1,129)	1,843
Accrued payroll & related	11,966	(3,427)
Accrued vacation	7,232	(8,409)
Net cash provided by operating activities	532,534	9,225
Cash flows from investing activities:		
Proceeds from sale of equipment	65,000	-
(Gain) Loss on disposition of equipment	(61,363)	1,482
Purchase of equipment	(4,162)	(3,323)
Purchases of investments	(292,000)	(18,324)
Net cash from investing activities	(292,525)	(20,165)
Net increase (decrease) in cash and cash equivalents	240,009	(10,940)
Cash and Cash Equivalents at Beginning of Year	189,366	200,306
Cash and Cash Equivalents at End of Year	\$ 429,375	\$ 189,366

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

Free Clinic of Southwest Washington

Notes to Financial Statements

Years Ended June 30, 2020 and June 30, 2019

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.
- *Volunteer* – Provides services to Free Clinic programs by supporting current volunteers, and recruiting new volunteers. During the year ended June 30, 2020 volunteer program efforts were incurred primarily in support of the Basic Health program, and accordingly, all volunteer program expenses were recorded directly to the Basic Health program.

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

These notes are an integral part of the financial statements

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.

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, 2020, \$438,748 of contributed medical services were recorded and total professional service hours recorded at basic health clinics were 5,913. During the year ended June 30, 2019, \$580,731 of contributed medical services were recorded and total professional service hours recorded at basic health clinics were 8,123. 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, 2020, \$40,298 of contributed medical supplies and other items were recorded. During the year ended June 30, 2019, \$53,702 of contributed medical supplies and other items were recorded. This includes donated capital assets of \$2,700.

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.

These notes are an integral part of the financial statements

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

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, 2017, 2018 and 2019 are subject to examination by the IRS and generally may be audited within 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, which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents.

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, 2020 and 2019:

	<u>6/30/20</u>	<u>6/30/19</u>
Cash and Cash Equivalents	\$ 429,375	\$ 189,366
American Funds Investment Accounts	337,647	315,108
Vanguard Investment Account – Reserves	476,721	174,371
Accounts Receivable	2,219	6,921
Less: Net Assets with Donor Purpose Restrictions	(350,012)	(82,788)
Less: Board Designated Reserve (Note 10)	<u>(100,000)</u>	<u>(100,000)</u>
	<u>\$ 795,950</u>	<u>\$ 502,978</u>

Cash in excess of daily requirements is invested in brokered certificates of deposit, money market funds and short-term investments consisting of actively traded mutual funds which are registered with the United States Securities and Exchange Commission (SEC). Management prepares a by-month cash flow projection at the beginning of each fiscal year. Cash requirements for future monthly, quarterly and annual needs are monitored by the Organization's management, financial oversight committee and Board of Directors.

These notes are an integral part of the financial statements

4. Investments

The Free Clinic invests part of its funds in a pool of mutual funds managed by the Community Foundation for Southwest Washington for the benefit of nonprofits, part of its funds in Free Clinic of Southwest Washington-managed accounts with Vanguard Fund and part of its funds with LPL Financial Partners, Inc. The investments are reported by all entities at fair market value, which is determined by using quoted market prices. The policies of both the Community Foundation for Southwest Washington, and the Free Clinic 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 on individual investments within the pool.

The Free Clinic did not provide variance power to the Community Foundation for Southwest Washington. 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 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, 2020 held in the Community Foundation for Southwest Washington investment pool resulted in investment losses of \$363. The ending fund balance was \$47,256. The investment for the year ended June 30, 2019 held in the Community Foundation for Southwest Washington investment pool resulted in investment gains of \$1,175. The ending fund balance was \$36,848. All the funds managed by the Community Foundation for Southwest Washington are invested in Vanguard mutual funds.

The investment for year ended June 30, 2020 for the Vanguard account held by the Free Clinic for endowment funds resulted in net gains of \$28,560. The ending balance was \$375,087. The investment for the year ended June 30, 2019 for the Vanguard account held by the Free Clinic for endowment funds resulted in net gains of \$28,349. The ending balance was \$346,527.

The investment for the year ended June 30, 2020 for the account held at LPL Financial Partners, Inc. resulted in net gains of \$22,539. The ending balance was \$337,647. The investment for the year ended June 30, 2019 for the account held at LPL Financial Partners, Inc. resulted in net gains of \$14,744. The ending balance was \$315,108. All the funds managed by LPL Financial Partners are invested in American Funds mutual funds.

The investment for the year ended June 30, 2020 for the Vanguard account held by the Free Clinic for reserves resulted in a net gain of \$3,625. The ending balance was \$476,721. The investment for the year ended June 30, 2019 for the Vanguard account held by the Free Clinic for reserves resulted in a net gain of \$3,627. The ending balance was \$174,371.

Investments consist of the following as of June 30, 2020 and 2019:

	<u>6/30/20</u>	<u>6/30/19</u>
Vanguard Balanced Index Fund	\$ 375,087	\$ 346,527
Vanguard Balanced Mutual Fund	47,256	36,848
Vanguard Brokered Certificates of Deposit	20,000	174,371
Vanguard Federal Money Market Funds	431,264	0
Vanguard Total Stock Market Index Fund	25,457	0
American Funds Mutual Funds:		
Washington Mutual Investors Fund	53,541	63,322
AMCAP Fund	64,289	48,329
EuroPacific Growth Fund	62,973	62,560
Growth Fund of America	56,566	48,583
New Economy Fund	37,007	32,657
Investment Company of America	<u>63,271</u>	<u>59,657</u>
	<u>\$ 1,236,711</u>	<u>\$ 872,854</u>

These notes are an integral part of the financial statements

American Funds Investment Accounts	\$ 337,647	\$ 315,108
Reserves Vanguard Account	476,721	174,371
Endowment Vanguard Accounts	<u>422,343</u>	<u>383,375</u>
Total	<u>\$ 1,236,711</u>	<u>\$ 872,854</u>

The investment return for the years ending June 30, 2020 and 2019 breaks down as follows:

	<u>6/30/20</u>	<u>6/30/19</u>
Interest & Dividends	\$ 15,618	\$ 11,287
Gains & Losses (Realized & Unrealized)	<u>39,134</u>	<u>37,053</u>
Total	<u>\$ 54,751</u>	<u>\$ 48,340</u>

Investment advisory fees totaled \$389 for the fiscal year ended June 30, 2020 and \$168 for the fiscal year ended June 30, 2019.

The organization 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.

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,

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maintenance, repairs and taxes on their portion of the facility. The Free Clinic recorded \$95,820 and \$95,820 of in-kind donated use of facilities related to this space for the years ended June 30, 2020 and June 30, 2019, 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 \$243.50 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, 2021 through 2024, which totals \$11,688. Expense related to this agreement was \$3,116 for the year ended June 30, 2020 and \$731 for the year ended June 30, 2019.

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.

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. There were no Endowment Funds appropriated for expenditure for the years ended June 30, 2020 and 2019.

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, 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>

These notes are an integral part of the financial statements

**Endowment Net Assets Composition by Type of Fund
As of June 30, 2019**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Contributions to			
Perpetual Endowment	\$ 0	\$ 238,573	\$ 238,573
Gains on Endowment Funds	<u>0</u>	<u>144,802</u>	<u>144,802</u>
	<u>\$ 0</u>	<u>\$ 383,375</u>	<u>\$ 383,375</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>

**Changes in Endowment Net Assets
For the Fiscal Year Ended June 30, 2019**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets,			
Beginning of year	\$ 0	\$ 340,826	\$ 340,826
Investment return:			
Investment Income	0	3,872	3,872
Net Appreciation (realized and unrealized)	<u>0</u>	<u>25,652</u>	<u>25,652</u>
Total Investment return	0	29,524	29,524
Contributions	0	13,025	13,025
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>\$ 383,375</u>	<u>\$ 383,375</u>

As of June 30, 2020 and 2019, \$249,345 and \$238,573, 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, 2020 and 2019, the balance in Net Assets With Donor Restrictions are restricted for the following purposes or periods:

	<u>6/30/20</u>	<u>6/30/19</u>
<i>Subject to donor restrictions, Organization's Endowment Funds policy, UPMIFA and appropriation:</i>		
Donations to Perpetual Endowment	\$ 249,345	\$ 238,573
Unappropriated Endowment Earnings	<u>172,999</u>	<u>144,802</u>
	\$ 422,344	\$ 383,375
 <i>Subject to expenditure for donor specified purpose:</i>		
Project Access	91,256	8,110
Dental Program	65,004	7,904
Basic Health Clinics	162,833	11,255
Access to Care Fund	15,413	27,097
Diabetic Patient Care	12,480	4,569
Outreach and Fund Raising	<u>3,026</u>	<u>23,853</u>
Subtotal Net Assets Subject to Donor Purpose Restrictions	<u>350,012</u>	<u>82,788</u>
Total Net Assets With Donor Restrictions	<u>\$ 772,356</u>	<u>\$ 466,163</u>

The Access to Care Fund is designated by its donors to assist in volunteer program development and other capacity-building efforts undertaken by the Organization.

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 \$5,382 to this plan for the year ended June 30, 2020, and \$3,632 for the year ended June 30, 2019.

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 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 has 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 has been calculated in accordance with the requirements of

These notes are an integral part of the financial statements

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 Organization believes this loan represents a grant that is expected to be forgiven, and is accounting for the loan in accordance with FASB ASC 958-605, as a conditional contribution. The Organization has recognized the loan amount of \$72,000 as contribution revenue for the year ended June 30, 2020, as it believes all conditions for forgiveness of the \$72,000 have been substantially met as of June 30, 2020.

12. Subsequent Events

The Organization has evaluated subsequent events through November 18, 2020 the date on which the financial statements were available to be issued.

The Organization's operations may be affected by the recent and 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.

13. Implementation of ASU No. 2016-14

In August 2016, FASB issued ASU No. 2016-14, Not-for-Profit Entities: Presentation of Financial Statements for Not-for-Profit Entities. ASU 2016-14 amends the current reporting model for not-for-profit organizations and enhances their required disclosures. The Free Clinic has applied this ASU to its presentation of financial information as of June 30, 2019 and the changes are reflected in these financial statements.