

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

FINANCIAL STATEMENTS

December 31, 2014 and 2013

National Association of Free and Charitable Clinics, Inc.

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the National Association of Free and Charitable Clinics, Inc. (a not-for-profit corporation) which comprise the statements of financial position as of December 31, 2014 and 2013, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 the National Association of Free Clinics, Inc. as of December 31, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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

National Association of Free and Charitable Clinics, Inc.

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31,	2014	2013
ASSETS		
Current assets		
Cash and cash equivalents	\$ 921,892	\$ 233,593
Investments	755,043	654,137
Contributions receivable	-	-
Other receivables	-	273
Prepaid expenses	85,987	26,670
Total current assets	1,762,922	914,673
Property and equipment, net	9,922	13,846
Security deposit	26,760	18,160
Total assets	\$ 1,799,604	\$ 946,679

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

2014

2013

LIABILITIES AND NET ASSETS

Current liabilities

Accounts payable	\$ 75,411	\$ 19,912
Accrued expenses	29,029	17,532
Deferred revenue	104,245	67,170

Total current liabilities

208,685	104,614
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Net assets

Unrestricted	1,590,919	794,127
Temporarily restricted	-	47,938

Total net assets

1,590,919	842,065
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Total liabilities and net assets

\$ 1,799,604	\$ 946,679
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National Association of Free and Charitable Clinics, Inc.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues, gains, and other support			
Donations	\$ 44,764	\$ 232,451	\$ 277,215
National campaign	1,713,145	-	1,713,145
Donated services	100,725	-	100,725
Symposium income	124,525	-	124,525
Member dues	180,785	-	180,785
Other income	9,609	-	9,609
Portfolio income	25,434	-	25,434
Net unrealized (loss) on investment	(16,620)	-	(16,620)
Net assets released from restrictions	280,389	(280,389)	-
Total revenues, gains, and other support	<u>2,462,756</u>	<u>(47,938)</u>	<u>2,414,818</u>
Expenses			
Program services - C.A.R.E Clinics	1,239,651	-	1,239,651
Symposium	202,363	-	202,363
General and administration	222,370	-	222,370
Fundraising	1,580	-	1,580
Total expenses	<u>1,665,964</u>	<u>-</u>	<u>1,665,964</u>
Changes in net assets	796,792	(47,938)	748,854
Net assets - beginning of year	<u>794,127</u>	<u>47,938</u>	<u>842,065</u>
Net assets - end of year	<u>\$ 1,590,919</u>	<u>\$ -</u>	<u>\$ 1,590,919</u>

National Association of Free and Charitable Clinics, Inc.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Unrestricted revenues, gains, and other support			
Donations	\$ 39,720	\$ 388,035	\$ 427,755
National campaign	279,813	-	279,813
Donated services	155,437	-	155,437
Summit income	137,800	-	137,800
Member dues	160,812	-	160,812
Other income	44,910	-	44,910
Portfolio income	17,101	-	17,101
Net unrealized gain on investment	28,856	-	28,856
Net assets released from restrictions	358,078	(358,078)	-
Total revenues, gains, and other support	<u>1,222,527</u>	<u>29,957</u>	<u>1,252,484</u>
Expenses			
Program services - C.A.R.E. Clinics	969,477	-	969,477
Symposium	152,018	-	152,018
Program services - Summit	152,224	-	152,224
General and administration	12,785	-	12,785
Total expenses	<u>1,286,504</u>	<u>-</u>	<u>1,286,504</u>
Changes in unrestricted net assets	(63,977)	29,957	(34,020)
Unrestricted net assets - beginning of year	<u>858,104</u>	<u>17,981</u>	<u>876,085</u>
Unrestricted net assets - end of year	<u>\$ 794,127</u>	<u>\$ 47,938</u>	<u>\$ 842,065</u>

National Association of Free and Charitable Clinics, Inc.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Program Services</u>	<u>General & Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Bank fees	\$ -	\$ 7,593	\$ -	\$ 7,593
C.A.R.E. clinics	318,076	-	-	318,076
Data processing	7,006	-	-	7,006
Depreciation	-	5,841	-	5,841
Donated services	100,725	-	-	100,725
Employee benefits	28,477	8,414	80	36,971
Insurance	-	9,047	-	9,047
Licenses and permits	-	25	-	25
Marketing	14,152	2,256	-	16,408
Meetings	901	35,895	-	36,796
Office and printing	28,031	14,771	-	42,802
Membership dues and publications	26,692	-	-	26,692
Postage and shipping	2,556	2,069	-	4,625
Professional fees	158,292	86,131	-	244,423
Rent	150,501	6,911	458	157,870
Salaries	370,619	30,365	1,042	402,026
Telephone and website	19,187	1,146	-	20,333
Travel	14,436	11,906	-	26,342
Total expenses	\$ 1,239,651	\$ 222,370	\$ 1,580	\$ 1,463,601

National Association of Free and Charitable Clinics, Inc.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>Program Services</u>	<u>General & Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Bank fees	\$ 1,560	\$ 15,820	\$ -	\$ 17,380
C.A.R.E. clinics	332,598	-	-	332,598
Data processing	6,800	-	-	6,800
Depreciation	4,893	-	-	4,893
Donated services	155,437	-	-	155,437
Dues and subscriptions	250	-	-	250
Employee benefits	4,800	6,932	-	11,732
Insurance	-	4,946	-	4,946
Marketing	4,363	5,347	-	9,710
Meetings	6,670	250	-	6,920
Office and printing	12,265	898	199	13,362
Payroll taxes	17,557	2,247	612	20,416
Postage and shipping	5,557	4,680	-	10,237
Professional fees	3,256	68,244	-	71,500
Rent	120,113	8,226	3,349	131,688
Salaries	273,021	34,542	8,625	316,188
Telephone and website	10,924	-	-	10,924
Travel	9,413	92	-	9,505
Total expenses	\$ 969,477	\$ 152,224	\$ 12,785	\$ 1,134,486

National Association of Free and Charitable Clinics, Inc.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31,

2014

2013

Cash flows from operating activities:

Changes in net assets \$ 748,854 \$ (34,020)

Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:

Depreciation 5,841 4,893

(Increase) decrease in assets:

Contributions receivable - -

Other receivable 273 780

Prepaid expenses (59,317) 16,331

Security deposit (8,600) 4,551

Increase (decrease) in liabilities:

Accounts payable 55,499 (105,699)

Accrued expenses 11,497 1,853

Deferred revenue 37,075 4,594

Net cash provided (used) by operating activities

791,122 (106,717)

Cash flows from investing activities:

Acquisition of property and equipment (1,917) (1,092)

Investment in securities (100,906) (147,549)

Net cash (used) by investing activities

(102,823) (148,641)

Net increase (decrease) in cash and cash equivalents

688,299 (255,358)

Cash and cash equivalents - beginning of year

233,593 488,951

Cash and cash equivalents - end of year

\$ 921,892 \$ 233,593

National Association of Free and Charitable Clinics, Inc.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2014 and 2013

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

The National Association of Free Clinics, Inc. (the Association) is a not-for-profit corporation established for the purpose of promoting access to health care services for the uninsured and under insured and to provide networking and educational opportunities among Association members. The Association is supported primarily through grants, donations and member dues.

Method of Accounting

The financial statements are prepared on the accrual basis of accounting.

Basis of Presentation

Financial statement presentation follows the recommendations of the Not-for-Profit Entities Topic of the FASB Accounting Standards Codification. Under this Topic, the Association is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. There were no permanently restricted net assets for the years ended December 31, 2014 and 2013.

Cash and Cash Equivalents

The Association considers all highly liquid financial instruments purchased with a maturity of three months or less to be cash equivalents. The Association maintains their cash in bank deposit accounts which, at times, may exceed federally insured limits. The Association has not experienced any losses in such accounts. The Association's management believes they are not exposed to any significant credit risk on their balances.

Depreciation

Property and equipment are stated at cost when purchased or fair value at date of donation for donated items. Depreciation is provided using the straight-line method over the estimated useful lives of the assets as follows:

Computer equipment	5 years
Furniture	5 years
Software	3 years

Income Taxes

The Association is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Association's tax-exempt purpose is subject to taxation as unrelated business income. The Association had no unrelated business income for the years ended December 31, 2014 and 2013.

The Association believes that it has appropriate support for any tax position taken, and as such, does not have any uncertain tax positions that are material to the financial statements. The Association files its forms 990 in the U.S. federal jurisdiction and various states. The Association is generally no longer subject to examination by the Internal Revenue Service for years before 2011.

National Association of Free and Charitable Clinics, Inc.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2014 and 2013

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statements of Activities as net assets released from restrictions.

Donated Securities

Donated marketable securities and other noncash donations are recorded as contributions at their fair values at the date of donation. The policy of the Association is to sell the securities upon receipt.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the Statements of Activities and in the Statements of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Contributions Receivable

Contributions receivable are recorded at the amount expected to be collected. Management reviews receivables at year end to determine the collectability of them on an individual basis. No allowance against contributions receivable is provided because the full value is expected to be collected within one year.

Investments

The Not-for-Profit Entities Topic of the FASB Accounting Standards Codification requires that investments in equity securities with readily determinable fair values and all investments in debt securities are reported at their fair value in the Statement of Financial Position. The unrealized gains and losses are included in the change in unrestricted net assets.

Fair Value

The Association follows the Fair Value Measurement and Disclosure Topic of the FASB Accounting Standards Codification, which provides a framework for measuring the fair value of assets and liabilities. The Topic also provides guidance regarding a fair value hierarchy, which prioritizes information used to measure fair value and the effect of fair value measurements on earnings and provides for enhanced disclosures determined by the level within the hierarchy of information used in the valuation. The Topic applies whenever other standards require (or permit) assets or liabilities to be measured at fair value but does not expand the use of fair value in any new circumstances.

National Association of Free and Charitable Clinics, Inc.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2014 and 2013

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value (continued)

The three levels of the fair value hierarchy and investments that fall into each of the levels are described below:

- **Level 1:** Level 1 inputs are unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.
- **Level 2:** Level 2 inputs are other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- **Level 3:** Level 3 inputs are unobservable and cannot be corroborated by observable market data. They are based on the best information available in the circumstances.

Deferred Revenue

Income from membership dues is deferred and recognized over the periods to which the dues relate.

Donated Services

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Association. The Association receives donated services from doctors, nurses, and other professionals and recognizes such items at fair value.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

NOTE B. PROPERTY AND EQUIPMENT, net

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

	<u>2014</u>	<u>2013</u>
Computer equipment	\$ 22,135	\$ 20,217
Furniture	1,611	1,611
Software	3,201	3,201
	<u>26,947</u>	<u>25,029</u>
Less: accumulated depreciation	<u>(17,025)</u>	<u>(11,183)</u>
Property and equipment, net	<u>\$ 9,922</u>	<u>\$ 13,846</u>
Depreciation	<u>\$ 5,841</u>	<u>\$ 4,893</u>

National Association of Free and Charitable Clinics, Inc.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2014 and 2013

NOTE C. INVESTMENTS

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

<u>Investments</u>	<u>2014</u>		<u>2013</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Stocks and ETFs	\$ 215,982	\$ 250,586	\$ 176,990	\$ 195,263
Preferred securities	23,556	24,056	23,556	23,387
Corporate bonds	15,038	15,182	192,943	192,932
Certificate of deposits	-	-	134,961	134,961
Open end mutual funds	478,610	465,219	100,157	107,594
Total investments	\$ 733,186	\$ 755,043	\$ 628,607	\$ 654,137

NOTE D. COMMITMENTS

Operating lease

The Association leases office space and parking spaces in Virginia under a lease agreement which expires October 31, 2016. The Association's lease will auto renew at the expiration of the current lease for a period of 36 months at an adjustment of 3% of the monthly charge. Rent expense was \$157,870 and \$131,688 for the years ended December 31, 2014 and 2013, respectively.

At December 31, 2014, the remaining minimum payments required under the office lease are as follows:

December 31, 2015	\$ 120,885
2016	<u>90,800</u>
	\$ 211,685

NOTE E. DEFERRED REVENUE

The change in the Association's deferred revenue account for the years ended December 31, 2014 and 2013 is comprised of the following:

	<u>2014</u>	<u>2013</u>
Balance at beginning of year	\$ 67,170	\$ 125,582
Additions:		
Memberships sold	214,860	160,568
Grants and Summit	3,000	61,751
Reductions:		
Memberships sold	(180,785)	(168,980)
Grants and Summit	<u>-</u>	<u>(111,751)</u>
Balance at end of year	\$ 104,245	\$ 67,170

National Association of Free and Charitable Clinics, Inc.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2014 and 2013

NOTE F. DONATED SERVICES

The fair value of donated services included as contributions in the financial statements and the corresponding program expenses are as follows for the years ended December 31:

	<u>2014</u>	<u>2013</u>
Program services - C.A.R.E. Clinics		
Legal expenses	\$ 16,350	\$ 8,175
Medical professional services	84,375	147,262
	<hr/>	<hr/>
Total	\$ 100,725	\$ 155,437
	<hr/>	<hr/>

NOTE G. NATIONAL C.A.R.E CLINICS

The Association was a participant in a grassroots effort to raise funds and awareness in regards to the free clinics throughout the United States. This effort was able to raise a significant amount of funding in order to conduct large scale free clinic operations in the metropolitan areas throughout the country. The following is a summary of the expenditures by location for these care clinics for the years ended December 31:

	<u>2014</u>	<u>2013</u>
Restricted donations received	\$ 229,451	\$ 229,451
Unrestricted donations used for C.A.R.E. Clinics	3,000	162,154
	<hr/>	<hr/>
Total	\$ 232,451	\$ 391,605
	<hr/>	<hr/>
Dallas, Texas C.A.R.E Clinic	\$ -	\$ 391,605
Madison, Wisconsin C.A.R.E Clinic	232,451	-
	<hr/>	<hr/>
Total	\$ 232,451	\$ 391,605
	<hr/>	<hr/>

NOTE H. TEMPORARILY RESTRICTED NET ASSETS

At December 31, 2014 and 2013, temporarily restricted net assets consisted of one grants donations that fund technology, staffing, general capacity expansion, technical assistance development and volunteer outreach and marketing expansion of the Association. The remaining balances in temporarily restricted net assets of \$0 and \$47,938 at December 31, 2014 and 2013 are to be spent in future years for the specific purposes mentioned above.

National Association of Free and Charitable Clinics, Inc.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2014 and 2013

NOTE I. EMPLOYEE RETIREMENT PLAN

The Association has a 403(b) Plan covering essentially all employees that was implemented in February 2012. Employees are eligible for a 3% match from the Association. The Association contributed \$7,060 and \$8,563 to the Plan for the years ended December 31, 2014 and 2013, respectively.

NOTE J. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair values of assets measured on a recurring basis are as follows at December 31:

	<u>Fair Value</u>	<u>Quoted Prices In Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
2014				
Stocks and ETFs	\$ 250,586	\$ 250,586	\$ -	\$ -
Preferred securities	24,056	24,056	-	-
Corporate bonds	15,182	15,182	-	-
Open end mutual funds	465,219	465,219	-	-
Total assets at fair value	<u>\$ 755,043</u>	<u>\$ 755,043</u>	<u>\$ -</u>	<u>\$ -</u>
2013				
Stocks and ETFs	\$ 195,263	\$ 195,263	\$ -	\$ -
Preferred securities	23,387	23,387	-	-
Corporate bonds	192,932	192,932	-	-
Certificate of deposits	134,961	134,961	-	-
Open end mutual funds	107,594	107,594	-	-
Total assets at fair value	<u>\$ 654,137</u>	<u>\$ 654,137</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE K. SUBSEQUENT EVENTS

In preparing these financial statements, the Association has evaluated events and transactions subsequent to December 31, 2014 through August 10, 2015, the date these financial statements were available to be issued. As required by the Subsequent Events Topic of the FASB Accounting Standards Codification, the Association is not aware of any subsequent events which would require recognition or disclosure in the financial statements.