



Free Clinic **of SW Washington**

AUDITOR'S REPORT

and

FINANCIAL STATEMENTS

JUNE 30, 2007 and 2006

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Free Clinic of Southwest Washington, Inc.
Vancouver, Washington

We have audited the financial position of the Free Clinic of Southwest Washington, Inc., (a nonprofit organization) as of June 30, 2007 and 2006, and the related statements of activities and cash flows for the years then ended. These financial statements and the supplemental information discussed below are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit 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 statement. 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 audit provides a reasonable basis for our opinion.

In our opinion, the statements referred to above present fairly, in all material respects, the financial position of the Free Clinic of Southwest Washington, Inc., as of June 30, 2006 and 2007, and the changes in its net assets, and its cash flows for the years then ended in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplemental information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

Thompson + Associates

November 10, 2007
Vancouver, Washington

FREE CLINIC OF
SOUTHWEST WASHINGTON, INC.

STATEMENT OF FINANCIAL POSITION

ASSETS

	JUNE 30,	
	2007	2006
CURRENT ASSETS		
Cash	\$ 229,792	\$ 262,462
Investments (Note 3)	470,825	496,827
Unconditional promises to give (Note 9)	1,200	-
Grants receivable (Note 6)	65,625	53,776
Accounts receivable	3,631	4,612
Prepaid expense	23,876	21,603
	<u>794,949</u>	<u>839,280</u>
 LAND, BUILDING & EQUIPMENT		
Leasehold improvements	591,526	591,526
Clinic equipment	118,932	94,700
Office equipment	169,085	97,466
Exhibits & displays	11,632	11,632
Dental van	227,503	224,304
	<u>1,118,678</u>	<u>1,019,628</u>
Less accumulated depreciation	(244,174)	(177,889)
	<u>874,504</u>	<u>841,739</u>
	<u>\$1,669,453</u>	<u>\$1,681,019</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	\$ 12,456	\$ 126,671
Accrued expenses	23,736	4,917
	<u>36,192</u>	<u>131,588</u>
COMMITMENTS (Note 4)		
NET ASSETS (Note 1)		
Unrestricted		
Available for general operations	1,027,739	1,058,377
Board restricted	162,900	129,836
	<u>1,190,639</u>	<u>1,188,213</u>
Temporarily restricted (Note 7)	234,122	153,718
Endowment	208,500	207,500
	<u>1,633,261</u>	<u>1,549,431</u>
	<u>\$1,669,453</u>	<u>\$1,681,019</u>

See independent auditor's report.
The accompanying notes are an integral
part of these financial statements.

**FREE CLINIC OF
SOUTHWEST WASHINGTON, INC.**

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2007

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Endowment</u>	<u>Total</u>
REVENUE, GAINS and OTHER SUPPORT				
Contributions	\$ 256,293	\$ 23,770	\$ 1,000	\$ 281,063
Grants	106,750	289,702	-	396,452
Patient donations	23,931	-	-	23,931
In-kind contributions	295,439	-	-	295,439
Special events, net of direct costs (Note 8)	46,632	-	-	46,632
Miscellaneous income	5,307	-	-	5,307
Interest income	4,300	-	-	4,300
Investment return	75,529	-	-	75,529
Net assets released from restrictions	<u>233,068</u>	<u>(233,068)</u>	-	-
	<u>1,047,249</u>	<u>80,404</u>	<u>1,000</u>	<u>1,128,653</u>
EXPENSES				
Program expenses	494,051	-	-	494,051
In-kind program expenses	295,439	-	-	295,439
Administrative expenses	<u>255,333</u>	-	-	<u>255,333</u>
	<u>1,044,823</u>	-	-	<u>1,044,823</u>
INCREASE in NET ASSETS	2,426	80,404	1,000	83,830
NET ASSETS at July 1, 2006	<u>1,188,213</u>	<u>153,718</u>	<u>207,500</u>	<u>1,549,431</u>
NET ASSETS at June 30, 2007	<u>\$1,190,639</u>	<u>\$ 234,122</u>	<u>\$ 208,500</u>	<u>\$1,633,261</u>

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FREE CLINIC OF
SOUTHWEST WASHINGTON, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2006

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Endowment</u>	<u>Total</u>
REVENUE, GAINS and OTHER SUPPORT				
Contributions	\$ 252,127	\$ 191,262	\$ 100,500	\$ 543,889
Grants	125,000	95,253	-	220,253
Patient donations	20,660	-	-	20,660
In-kind contributions	310,060	-	-	310,060
Special events, net of direct costs (Note 8)	26,320	-	-	26,320
Miscellaneous income	369	-	-	369
Interest income	4,710	-	-	4,710
Investment return	31,909	-	-	31,909
Net assets released from restrictions	<u>174,893</u>	<u>(174,893)</u>	-	-
	<u>946,048</u>	<u>111,622</u>	<u>100,500</u>	<u>1,158,170</u>
EXPENSES				
Program expenses	406,359	-	-	406,359
In-kind program expenses	307,718	-	-	307,718
Administrative expenses	207,828	-	-	207,828
In-kind administrative expenses	<u>2,342</u>	<u>-</u>	<u>-</u>	<u>2,342</u>
	<u>924,247</u>	<u>-</u>	<u>-</u>	<u>924,247</u>
INCREASE in NET ASSETS	21,801	111,622	100,500	233,923
NET ASSETS at July 1, 2005	<u>1,166,412</u>	<u>42,096</u>	<u>107,000</u>	<u>1,315,508</u>
NET ASSETS at June 30, 2006	<u>\$1,188,213</u>	<u>\$ 153,718</u>	<u>\$ 207,500</u>	<u>\$1,549,431</u>

See independent auditor's report.
The accompanying notes are an integral
part of these financial statements.

FREE CLINIC OF
SOUTHWEST WASHINGTON, INC.

STATEMENT OF CASH FLOWS

	<u>FOR THE YEAR ENDED JUNE 30,</u>	
	<u>2007</u>	<u>2006</u>
INCREASE (DECREASE) IN CASH:		
Cash flows from operating activities:		
Cash received from donors & patients	\$1,077,634	\$1,135,004
Cash paid to suppliers & employees	(1,117,084)	(826,461)
Interest income	4,300	4,710
Dividend income	<u>47,402</u>	<u>31,909</u>
	<u>12,252</u>	<u>345,162</u>
Cash flows from investing activities:		
Purchase of property & equipment	(99,050)	(115,311)
Purchase of investments	(45,892)	(130,696)
Sale of investments	<u>100,020</u>	<u>-</u>
	<u>(44,922)</u>	<u>(246,007)</u>
INCREASE (DECREASE) IN CASH	(32,670)	99,155
CASH, July 1, 2006 and 2005	<u>262,462</u>	<u>163,307</u>
CASH, June 30, 2007 and 2006	<u>\$ 229,792</u>	<u>\$ 262,462</u>

See independent auditor's report.
The accompanying notes are an integral
part of these financial statements.

FREE CLINIC OF
SOUTHWEST WASHINGTON, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007 and 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- (a) General-The Free Clinic of Southwest Washington, Inc., is a nonprofit corporation. The clinic is located in Vancouver, Washington.

The organization provides health services in the Southwest Washington area to all people who are otherwise unable to access care.

- (b) Basis of Presentation-The Organization has adopted the provisions of Statement of Financial Accounting Standards (SFAS) No. 116, *Accounting for Contributions Received and Contributions Made*, and SFAS No. 117, *Financial Statements of Not-for-Profit Organizations*. Under these provisions, net assets and all balances and transactions are presented 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 either by actions of the Organization and/or the passage of time.

Endowment net assets-Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes

- (c) Depreciation-The equipment is being depreciated using the straight-line method over the estimated useful lives of the assets.
- (d) 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.
- (e) In-Kind Contributions-The organization receives a significant amount of donated in-kind services, requiring specialized medical skills, which are provided by entities or persons possessing those skills, and would be purchased if not donated. In accordance with SFA's No. 116, the services for the years ended June 30, 2007 and 2006 were \$226,859 and \$278,261, respectively and are recognized in these financial statements as in-kind expenses.

The organization 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.

FREE CLINIC OF
SOUTHWEST WASHINGTON, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007 and 2006

- (f) Income Tax—The activities of the organization are generally exempt from income tax under Internal Revenue Code Section 501(C) (3).
- (g) Use of Estimates—The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.
- (h) 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 (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.
- (i) Revenue Recognition—All contributions and grants are considered available for unrestricted use unless specifically restricted by the donor. Clinic revenues are recognized at the time services are provided and the revenues are earned. Bequests are recorded as revenue at the time the Organization has an established right to the bequest and the proceeds are measurable.

NOTE 2 – STATEMENT OF CASH FLOW SUPPLEMENTARY DISCLOSURES

- (a) Reconciliation of net income provided by operating activities:

	<u>FOR THE YEAR ENDED JUNE 30,</u>	
	<u>2007</u>	<u>2006</u>
Increase in net assets	\$ 83,830	\$233,923
Adjustments to reconcile increase in net assets to net cash increase (decrease):		
Depreciation	66,285	56,745
Realized (gain) loss	(7,261)	-
Unrealized (gain) loss	(20,865)	-
(Increase) in accounts receivable	(12,068)	(38,316)
(Increase) decrease in prepaid expense	(2,273)	2,738
Increase (decrease) in accounts payable	(114,215)	125,590
Increase (decrease) in accrued liabilities	18,819	(17,518)
(Decrease) in other current liabilities	-	(18,000)
Net cash flow from operating activities	<u>\$ 12,252</u>	<u>\$345,162</u>

- (b) The company considers all highly liquid debt instruments purchased with maturities of 90 days or less to be cash equivalents.

FREE CLINIC OF
SOUTHWEST WASHINGTON, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007 and 2006

NOTE 3 – INVESTMENTS

The Organization participates in an investment pool of mutual funds managed by the Community Foundation of Southwest Washington with its endowed investment funds. The investments are reported at fair market value, which is determined by using quoted market prices. No investment or group of investments represents a significant concentration of market risk. The investment pool does not separately report realized and unrealized gains and losses.

The investment return for the years ended June 30, 2007 and 2006 from the investment pool amounted to net investment gains of \$35,595 and \$11,142, respectively. The ending fund balances were \$266,400 and \$232,336, respectively.

The organization also maintains an investment account with ING Financial Partners, Inc. The investment return for the years ended June 30, 2007 and 2006 were a net gain of \$39,934 and \$20,767, respectively. The ending balances were \$204,425 and \$264,491, respectively.

NOTE 4 – COMMITMENTS

The organization is obligated under an operating lease with the Vancouver School District No. 37 for a period of thirty years beginning August 22, 2000. 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.

NOTE 5 – OFF-BALANCE SHEET RISK

The organization maintains cash and certificates of deposit at one financial institution in the Vancouver area. Accounts at the institution are insured by the Federal Deposit Insurance Corporation up to \$100,000. At June 30, 2007 and 2006, the organization's uninsured balances total \$126,866 and \$162,355, respectively.

**FREE CLINIC OF
SOUTHWEST WASHINGTON, INC.**

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007 and 2006

NOTE 6 – GRANTS RECEIVABLE

Grants receivable at June 30, 2007 and 2006 are as follows:

	<u>JUNE 30,</u>	
	<u>2007</u>	<u>2006</u>
Grant receivable from the Washington State Health Care Authority for Project Access Clark County Program for the 2007-2009 grant cycle	\$ 65,625	\$ -
Grant receivable from Southwest Washington Medical Center for general operating expense in the 2006-2007 operating year.	-	50,000
Grant receivable from SWIFT for diabetes supplies.	-	3,776
	<u>\$ 65,625</u>	<u>\$ 53,776</u>

NOTE 7 – TEMPORARILY RESTRICTED NET ASSETS

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

	<u>JUNE 30,</u>	
	<u>2007</u>	<u>2006</u>
Basic Health	\$ 39,729	\$ -
Dental program	18,045	55,113
2006-2007 Operating expense	50,000	50,000
Immunization program	-	7,846
Diabetes program	-	13,852
Dispensary program	-	23,918
Head Lice program	4,215	1,253
Expansion project	-	1,736
Project Access	75,000	-
Children's program	40,000	-
Monday clinics	7,133	-
	<u>\$234,122</u>	<u>\$153,718</u>

FREE CLINIC OF
SOUTHWEST WASHINGTON, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007 and 2006

NOTE 8 – SPECIAL EVENTS

Special events net income is as follows:

	<u>FOR THE YEAR ENDED JUNE 30,</u>	
	<u>2007</u>	<u>2006</u>
Cash donations	\$ 78,767	\$ 47,787
In-kind donations	<u>27,161</u>	<u>15,382</u>
Total special events income	<u>105,928</u>	<u>63,169</u>
Less direct expenses		
Direct cash expenses	32,136	21,467
In-kind auction items	12,701	11,977
In-kind golf prizes	<u>14,459</u>	<u>3,405</u>
Total direct expenses	<u>59,296</u>	<u>36,849</u>
Net special events income	<u>\$ 46,632</u>	<u>\$ 26,320</u>

NOTE 9 – UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give at June 30, 2007 and 2006 were all due in less than one year. No allowance for uncollectible promises have been provided for since all were collected in subsequent periods.

SUPPLEMENTAL INFORMATION

**Free Clinic of
Southwest Washington
Statement of Functional Expense
For the Year Ended June 30, 2007**

	Direct Expense													Total Expense				
	Program Expense												Administrative					
	Basic Health Program	Sports Physicals	Washington Convention	Project Access	Dispensary	Head Lice	Health Screening Program	Dental Program	Immuni- zation Program	Vision Program	Volunteer Program	Total			Admini- stration	Development	Public Relations & Marketing	Total
Personnel Costs	\$ 30,372	\$ 17,610	\$ -	\$ -	\$ 64,668	\$ 1,869	\$ 9,313	\$ 78,643	\$ 20,431	\$ 11,561	\$ 29,633	\$ 264,100	\$ 51,681	\$ 92,246	\$ 24,894	\$ 168,821	\$ -	\$ 432,921
Professional Services	8,909	-	-	-	-	-	-	337	-	-	4,000	13,246	29,753	128	-	29,881	177	43,304
Printing & Copying	24	-	-	-	-	-	-	346	524	-	29	923	627	611	18	1,256	8,696	10,875
Postage & Delivery	-	-	-	-	-	-	-	-	-	-	19	19	9	99	-	108	5,262	5,389
Advertising	-	-	-	-	-	-	-	462	-	-	-	462	777	-	370	1,147	-	1,609
Technology	-	-	-	-	-	-	-	-	-	-	1,059	1,059	1,797	2,700	-	4,497	627	6,183
Insurance	-	-	-	-	-	-	-	-	-	-	-	149	1,604	-	-	1,604	25,764	27,517
Pharmaceuticals	2,112	-	-	-	43,967	-	5,670	-	-	-	-	51,749	-	-	-	-	-	51,749
Office Supplies	805	-	-	-	-	-	-	725	178	-	59	1,767	1,487	22	-	1,509	7,511	10,787
Volunteer Recognition	32	-	-	-	-	-	-	26	6,386	-	1,998	2,056	1,320	37	-	1,357	737	4,150
Clinic Supplies	5,227	-	-	-	830	5,494	4,608	13,290	-	179	5	36,019	20	-	-	20	12	36,051
Occupancy	177	-	-	-	-	-	-	250	-	-	-	427	1,324	22	-	1,346	17,210	18,983
Travel	-	-	-	-	-	-	-	7,664	-	-	-	10,438	-	-	-	-	-	10,438
Small Equipment Purchase	-	-	-	-	82	-	-	73	-	-	12	178	432	140	10	582	715	1,475
Dues & Fees	67	-	-	-	-	-	-	137	-	-	-	204	3,318	105	80	3,503	1,906	5,613
Staff Development	-	-	-	-	-	-	-	14	-	-	59	73	3,410	260	330	4,000	374	4,447
Dental Van Operation	-	-	-	-	-	-	-	4,498	-	-	-	4,498	-	-	-	-	-	4,498
Bank Fees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-	-	-	-	-	-	1,279	-	-	1,279	-	1,279
Misc. Expense	47	-	2,017	82	-	-	-	22,364	-	-	1,285	23,649	-	-	-	-	42,637	66,286
Indirect Expense Allocation	47,772	17,610	-	-	109,547	7,363	22,514	131,611	27,519	11,740	38,275	416,061	2	371	100	473	312	5,830
Total Cash Expenses	7,973	4,993	-	-	20,313	1,194	2,759	20,368	5,660	3,672	11,058	77,990	98,840	96,741	25,802	221,383	111,940	749,384
	55,745	22,603	-	-	129,860	8,557	25,273	151,979	33,179	15,412	49,333	494,051	10,445	17,565	5,940	33,950	(111,940)	-
													109,285	114,306	31,742	255,333	-	-
In-Kind Expenses:	251,436	-	-	-	-	-	1,236	22,038	9,900	8,228	-	292,838	2,601	-	-	2,601	-	295,439
Donated Professional Services	51,344	-	-	-	-	-	1,236	22,038	9,900	8,228	-	51,344	-	-	-	-	-	51,344
Donated Materials	302,780	-	-	-	-	-	-	-	-	-	-	344,182	2,601	-	-	2,601	-	346,783
	\$ 368,525	\$ 22,603	-	-	\$ 129,860	\$ 8,557	\$ 26,509	\$ 174,017	\$ 43,079	\$ 23,640	\$ 49,333	\$ 838,233	\$ 111,886	\$ 114,306	\$ 31,742	\$ 257,934	-	\$ 1,096,167