

*Financial Statements*  
*Year Ended*  
*June 30, 2007*

*Fan Free Clinic, Inc.*

*Goodman*  
\_\_\_\_\_  
& COMPANY

Certified Public Accountants  
Specialized Services  
Business Solutions

*Fan Free Clinic, Inc.*

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Certified Public Accountants  
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*Report of Independent Auditors*

Board of Directors  
*Fan Free Clinic, Inc.*

We have audited the accompanying statement of financial position of *Fan Free Clinic, Inc.* as of June 30, 2007, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the management of *Fan Free Clinic, Inc.* 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 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 audit provides 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 *Fan Free Clinic, Inc.* as of June 30, 2007, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Goodman & Company* LLP

Richmond, Virginia  
September 30, 2007

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**Fan Free Clinic, Inc.**

**Statement of Financial Position**

June 30, 2007

Assets	Administrative	Social	Clinical	Health	Property and	Building and	Total
	Fund	Services	Services	Outreach	Equipment	Program	
	Fund	Fund	Fund	Fund	Fund	Reserve	All Funds
Cash and cash equivalents	\$ 110,735	\$ -	\$ -	\$ -	\$ 1,513	\$ 104,642	\$ 216,890
Advances	350	-	-	-	-	-	350
Accounts receivable	4,517	44,449	18,524	71,182	4,949	-	143,621
Pledges receivable	-	-	-	-	64,440	-	64,440
Grants receivable	-	-	226,545	-	-	-	226,545
Prepaid expenses	15,901	-	-	-	-	-	15,901
Property and equipment - net	-	-	-	-	1,140,160	-	1,140,160
	\$ 131,503	\$ 44,449	\$ 245,069	\$ 71,182	\$ 1,211,062	\$ 104,642	\$ 1,807,907
<b>Liabilities and Net Assets</b>							
<b>Liabilities</b>							
Accounts payable	\$ 10,300	\$ 2,602	\$ 5,382	\$ 3,365	\$ -	\$ -	\$ 21,649
Note payable	-	-	-	-	41,521	-	41,521
Due to (from) other funds	252,092	(147,596)	69,266	(183,096)	26,671	(17,337)	-
<b>Total liabilities</b>	262,392	(144,994)	74,648	(179,731)	68,192	(17,337)	63,170
<b>Net assets (deficit)</b>							
Unrestricted	(141,650)	189,443	(56,124)	250,913	1,076,917	-	1,319,499
Unrestricted - Board designated	-	-	-	-	-	121,979	121,979
<b>Total unrestricted net assets (deficit)</b>	(141,650)	189,443	(56,124)	250,913	1,076,917	121,979	1,441,478
Temporarily restricted	10,761	-	226,545	-	65,953	-	303,259
<b>Total net assets (deficit)</b>	(130,889)	189,443	170,421	250,913	1,142,870	121,979	1,744,737
	\$ 131,503	\$ 44,449	\$ 245,069	\$ 71,182	\$ 1,211,062	\$ 104,642	\$ 1,807,907

The accompanying notes are an integral part of these financial statements.

*Fan Free Clinic, Inc.*

*Statement of Activities*

*Year Ended June 30, 2007*

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**Fan Free Clinic, Inc.**

**Statement of Activities**

**Year Ended June 30, 2007**

	Administrative Fund	Social Services Fund	Clinical Services Fund	Health Outreach Fund	Property and Equipment Fund	Building and Program Reserve Fund	Total All Funds
<b>Public support and revenue</b>							
Public support:							
Contributions - cash	\$ 25,938	\$ 25,285	\$ 521,126	\$ 17,446	\$ 396,243	\$ -	\$ 986,038
Contributions - in-kind	4,500	89,640	921,351	-	-	-	1,015,491
Special events	2,638	650	1,972	37,488	-	-	42,748
Public grants - United Way	64,680	41,976	27,145	63,501	-	-	197,302
Public grants - City of Richmond	23,075	264,877	50,000	-	-	-	337,952
Public grants - Virginia							
Department of Health	2,250	20,250	-	321,569	-	-	344,069
Public grants - other	-	35,187	-	-	-	-	35,187
	123,081	477,865	1,521,594	440,004	396,243	-	2,958,787
Revenue:							
Rental income - net	-	-	-	-	14,313	-	14,313
Investment income	-	-	-	-	-	2,023	2,023
Miscellaneous income	8,113	-	-	-	-	-	8,113
<b>Total public support and revenue</b>	<b>131,194</b>	<b>477,865</b>	<b>1,521,594</b>	<b>440,004</b>	<b>410,556</b>	<b>2,023</b>	<b>2,983,236</b>

	Administrative Fund	Social Services Fund	Clinical Services Fund	Health Outreach Fund	Property and Equipment Fund	Building and Program Reserve Fund	Total All Funds
<b>Expenses</b>							
Program services:							
Clinical health services	-	-	1,252,953	-	-	-	1,252,953
Social and community outreach services	-	488,597	-	397,455	-	-	886,052
	-	488,597	1,252,953	397,455	-	-	2,139,005
Supporting services:							
Management and general	110,277	-	-	-	23,981	-	134,258
Fundraising	40,700	14,941	14,941	33,814	9,462	-	113,858
Depreciation	-	-	-	-	26,873	-	26,873
	150,977	14,941	14,941	33,814	60,316	-	274,989
<b>Total expenses</b>	150,977	503,538	1,267,894	431,269	60,316	-	2,413,994
<b>Change in net assets</b>							
Unrestricted	(30,544)	(25,673)	53,193	8,735	300,381	2,023	308,115
Temporarily restricted	10,761	-	200,507	-	49,859	-	261,127
	(19,783)	(25,673)	253,700	8,735	350,240	2,023	569,242
<b>Net assets (deficit) - beginning of year</b>	(111,106)	215,116	(83,279)	242,178	792,630	119,956	1,175,495
<b>Net assets (deficit) - end of year</b>	\$ (130,889)	\$ 189,443	\$ 170,421	\$ 250,913	\$ 1,142,870	\$ 121,979	\$ 1,744,737

The accompanying notes are an integral part of these financial statements.

**Fan Free Clinic, Inc.**

**Statement of Functional Expenses**

**Year Ended June 30, 2007**

	Administrative Fund	Social Services Fund	Clinical Services Fund	Health Outreach Fund	Property and Equipment Fund	Building and Program Reserve Fund	Total All Funds
Salaries	\$ 51,486	\$ 225,963	\$ 208,166	\$ 249,946	\$ -	\$ -	\$ 735,561
Employees' health benefits	7,745	24,888	24,913	35,297	-	-	92,843
Payroll taxes	6,983	16,769	14,693	16,896	-	-	55,341
Retirement plan	6,406	2,807	4,491	9,052	-	-	22,756
<b>Total salaries and related expenses</b>	<b>72,620</b>	<b>270,427</b>	<b>252,263</b>	<b>311,191</b>	<b>-</b>	<b>-</b>	<b>906,501</b>
Medical supplies in-kind	-	-	672,536	-	-	-	672,536
Salaries-in-kind	4,500	89,640	248,815	-	-	-	342,955
Fundraising	40,700	14,941	14,941	33,814	9,462	-	113,858
Specific assistance	-	96,392	-	-	-	-	96,392
Supplies	2,037	556	35,993	33,502	332	-	72,420
Occupancy	5,268	16,297	16,321	17,726	-	-	55,612
Building expenses	-	-	-	-	21,454	-	21,454
Other	9,490	817	7,302	80	-	-	17,689
Insurance	4,994	1,772	5,440	3,920	-	-	16,126
Telephone	2,788	2,045	2,500	5,473	-	-	12,806
Travel	840	3,908	286	7,657	-	-	12,691
Property taxes	3,052	3,052	3,052	3,052	395	-	12,603
Professional fees	25	-	200	11,000	-	-	11,225
Equipment rental	1,776	1,545	2,681	2,782	-	-	8,784
Postage	1,025	1,382	951	772	-	-	4,130
Recruitment	208	-	3,113	-	-	-	3,321
Printing	523	739	801	300	-	-	2,363
Conferences	1,131	25	699	-	-	-	1,855
Interest	-	-	-	-	1,800	-	1,800
<b>Total expenses before depreciation</b>	<b>150,977</b>	<b>503,538</b>	<b>1,267,894</b>	<b>431,269</b>	<b>33,443</b>	<b>-</b>	<b>2,387,121</b>
Depreciation	-	-	-	-	26,873	-	26,873
<b>Total expenses</b>	<b>\$ 150,977</b>	<b>\$ 503,538</b>	<b>\$ 1,267,894</b>	<b>\$ 431,269</b>	<b>\$ 60,316</b>	<b>\$ -</b>	<b>\$ 2,413,994</b>

The accompanying notes are an integral part of these financial statements.

**Fan Free Clinic, Inc.**

**Statement of Cash Flows**

Year Ended June 30, 2007

	Administrative Fund	Social Services Fund	Clinical Services Fund	Health Outreach Fund	Property and Equipment Fund	Building and Program Reserve Fund	Total All Funds
<b>Cash flows from operating activities</b>							
Change in net assets	\$ (19,783)	\$ (25,673)	\$ 253,700	\$ 8,735	\$ 350,240	\$ 2,023	\$ 569,242
Adjustments to reconcile to net cash from operating activities:							
Depreciation	-	-	-	-	33,239	-	33,239
Change in:							
Accounts receivable	2,947	2,941	3,239	(11,765)	357	-	(2,281)
Pledges receivable	-	-	-	-	(64,440)	-	(64,440)
Grants receivable	-	-	(226,545)	-	-	-	(226,545)
Prepaid expenses	206	-	-	-	-	-	206
Accounts payable	3,069	2,017	2,919	735	(182)	-	8,558
<b>Net cash from operating activities</b>	<b>(13,561)</b>	<b>(20,715)</b>	<b>33,313</b>	<b>(2,295)</b>	<b>319,214</b>	<b>2,023</b>	<b>317,979</b>
<b>Cash flows from investing activities</b>							
Purchase of property and equipment	-	-	-	-	(325,923)	-	(325,923)
Due to/from other funds	(15,726)	20,715	(33,313)	2,295	26,028	1	-
<b>Net cash from investing activities</b>	<b>(15,726)</b>	<b>20,715</b>	<b>(33,313)</b>	<b>2,295</b>	<b>(299,895)</b>	<b>1</b>	<b>(325,923)</b>
<b>Cash flows from financing activities</b>							
Principal payments on note payable	-	-	-	-	(33,900)	-	(33,900)
<b>Net change in cash and cash equivalents</b>	<b>(29,287)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(14,581)</b>	<b>2,024</b>	<b>(41,844)</b>
<b>Cash and cash equivalents - beginning of year</b>	<b>140,022</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>16,094</b>	<b>102,618</b>	<b>258,734</b>
<b>Cash and cash equivalents - end of year</b>	<b>\$ 110,735</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,513</b>	<b>\$ 104,642</b>	<b>\$ 216,890</b>
<b>Supplemental disclosure of cash flow information</b>							
Cash paid for interest	\$ -	\$ -	\$ -	\$ -	\$ 2,700	\$ -	\$ 2,700

The accompanying notes are an integral part of these financial statements.

## *Fan Free Clinic, Inc.*

### *Notes to Financial Statements*

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**June 30, 2007**

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#### **1. Organization and Nature of Activities**

*Fan Free Clinic, Inc.* (Clinic), established in 1970, provides health care and health information in a way that is considerate of the needs of people who have difficulty obtaining health care. The Clinic's programs emphasize cooperative volunteer service delivery, with significant support through contracts with federal, state and local governments.

#### **2. Summary of Significant Accounting Policies**

##### **Basis of Presentation**

The Clinic reports 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. The financial statements report amounts separately by class of assets as follows:

**Unrestricted** amounts are those currently available at the discretion of the Clinic's Board of Directors for use in the Clinic's operations and those resources invested in property or equipment.

**Temporarily restricted** amounts are those which are stipulated by donors for specific operating purposes or for the acquisition of property or equipment. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

**Permanently restricted** amounts are restricted to investments in perpetuity, the income from which is expendable in accordance with the conditions of each specific donation. The Clinic has no permanently restricted net assets as of June 30, 2007.

##### **Fund Accounting**

In order to ensure observance of limitations and restrictions placed on the use of resources available to the Clinic, its accounts are maintained in accordance with the principles of fund accounting. Resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purposes. Separate accounts are maintained for each fund, with all financial transactions recorded and reported by fund group.

The Property and Equipment Fund includes grant money restricted for use in conjunction with the capacity building program.

The Building and Program Reserve Fund was established by the Board as a reserve for future building contingencies and as a source of funds for start-up and development costs for new programs.

### **Cash and Cash Equivalents**

The Clinic includes in cash and cash equivalents all investments purchased with a maturity of three months or less.

### **Property and Equipment**

Expenditures for the acquisition of property and equipment are capitalized at cost. Donated furniture and equipment is capitalized at the fair market value. Depreciation is provided over the estimated useful lives of the assets (generally five years for equipment and software and thirty-nine years for building) on the straight-line method.

### **Recognition of Restricted Revenue**

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor restricted support is reported as an increase in temporary or permanently restricted net assets depending on the nature of the restriction.

### **Income Taxes**

A nonprofit organization, the Clinic is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and the tax statutes of the Commonwealth of Virginia.

### **Concentration of Credit Risk**

Financial instruments that potentially subject the Clinic to concentrations of credit risk consist principally of cash in excess of federally insured limits (\$174,946 at June 30, 2007) and accounts receivable. Cash is held in financial institution whose credit ratings are monitored by management. Accounts receivable consist of balances due from several federal, state and local governmental agencies and are historically fully collectible. These policies mitigate the Clinic's exposure to concentration of credit risk.

### **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 and the disclosure of contingent assets and liabilities at the date of the financial statements. Such estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could vary from these estimates and assumptions.

## **3. Property and Equipment**

Major classes of property and equipment consist of the following at June 30, 2007:

Land	\$	200,000
Building		1,101,805
Equipment		110,911
Software		11,768
		<hr/>
		1,424,484
Less -- accumulated depreciation		(284,324)
		<hr/>
	\$	1,140,160

#### 4. Note Payable

Note payable consists of a bank loan collateralized by the Clinic's real property. The loan requires monthly payments of \$3,050, including principal and interest at the rate of 4.5%. Payment is due in full by August 15, 2008.

Future maturities of the loan at June 30 are as follows:

2008	\$	35,464
2009		<u>6,057</u>
	\$	<u>41,521</u>

#### 5. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes at June 30, 2007:

	Capacity Building Program	Clinical Services	Administrative (Working Capital)	Total
Balance – June 30, 2006	\$ 16,094	\$ 26,038	\$ -	\$ 42,132
Revenues for restricted purposes	64,440	226,545	10,761	301,746
Expenditures for restricted purposes	<u>(14,581)</u>	<u>(26,038)</u>	<u>-</u>	<u>(40,619)</u>
Balance – June 30, 2007	<u>\$ 65,953</u>	<u>\$ 226,545</u>	<u>\$ 10,761</u>	<u>\$ 303,259</u>

#### 6. Contributed Services, Materials and Facilities

The Clinic relies on an extensive network of volunteers who contribute their services on an on-going basis. Support arising from these contributed services, amounting to \$375,782 for 2007, of which \$342,955 met the criteria for recognition under accounting principles generally accepted in the United States of America and has been recognized in the accompanying financial statements. The value of the contribution of these services is equal to the estimated amounts that would be paid if the Clinic had contracted independently for such services.

Donated laboratory services are also reflected as in-kind contributions, with a corresponding expense, in the accompanying financial statements at their estimated value at date of receipt, amounting to approximately \$672,536 for 2007.

#### 7. Support from Governmental Units

During the year ended June 30, 2007, approximately 37% of support came from federal, state and local government sources. Any significant reduction in the level of this support would have a corresponding effect on the Clinic's ability to maintain its current programs and services.

**8. Pension Plan**

The Clinic has a simplified employee pension plan, which provides a contribution amount equal to 3% of each qualified employee's gross yearly salary. The Plan is open to all employees over 21 years of age. Contributions for the plan were \$22,756 for 2007.

**9. Line of Credit**

At June 30, 2007, the Clinic had a \$250,000 unused line of credit with a bank. The line carries a variable interest rate based on the bank's prime rate and is collateralized by the Clinic's property. The line will expire April 30, 2008.

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