

*Financial Statements*  
*Year Ended*  
*June 30, 2009*

*Fan Free Clinic, Inc.*



Certified Public Accountants  
Specialized Services  
Business Solutions

*Fan Free Clinic, Inc.*

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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, 2009, 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, 2009, 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  
November 4, 2009

4510 Cox Road, Suite 200  
Glen Allen, VA 23060-3394

**Fan Free Clinic, Inc.**

**Statement of Financial Position**

June 30, 2009

| 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    | \$ 269,629     | \$ -      | \$ -       | \$ -       | \$ 37,188    | \$ 103,111   | \$ 409,928   |
| Advances                     | 100            | -         | -          | -          | -            | -            | 100          |
| Accounts receivable          | 24,838         | 50,359    | 48,481     | 103,833    | 13,278       | -            | 240,789      |
| Pledges receivable           | 3,561          | -         | -          | -          | 17,276       | -            | 20,837       |
| Grants receivable            | -              | 20,000    | 142,595    | -          | -            | -            | 162,595      |
| Prepaid expenses             | 9,151          | -         | -          | -          | -            | -            | 9,151        |
| Property and equipment - net | -              | -         | -          | -          | 1,127,254    | -            | 1,127,254    |
|                              | \$ 307,279     | \$ 70,359 | \$ 191,076 | \$ 103,833 | \$ 1,194,996 | \$ 103,111   | \$ 1,970,654 |

**Liabilities and Net Assets**

| Liabilities                                    | Administrative   | Social          | Clinical         | Health           | Property and     | Building and    | Total            |
|--|------------------|-----------------|------------------|------------------|------------------|-----------------|------------------|
|  | Fund             | Services        | Services         | Outreach         | Equipment        | Program         | All Funds        |
|  | Fund             | Fund            | Fund             | Fund             | Fund             | Reserve         | All Funds        |
| Accounts payable                               | \$ 12,514        | \$ 6,179        | \$ 3,165         | \$ 14,512        | \$ 2,962         | \$ -            | \$ 39,332        |
| Due to (from) other funds                      | 422,226          | (56,544)        | (215,884)        | (244,284)        | 116,773          | (22,287)        | -                |
| <b>Total liabilities</b>                       | <b>434,740</b>   | <b>(50,365)</b> | <b>(212,719)</b> | <b>(229,772)</b> | <b>119,735</b>   | <b>(22,287)</b> | <b>39,332</b>    |
| <b>Net assets (deficit)</b>                    | <b>(131,022)</b> | <b>100,724</b>  | <b>261,200</b>   | <b>333,605</b>   | <b>1,057,985</b> | <b>-</b>        | <b>1,622,492</b> |
| Unrestricted                                   | -                | -               | -                | -                | -                | 125,398         | 125,398          |
| Unrestricted - Board designated                | -                | -               | -                | -                | -                | -               | -                |
| <b>Total unrestricted net assets (deficit)</b> | <b>(131,022)</b> | <b>100,724</b>  | <b>261,200</b>   | <b>333,605</b>   | <b>1,057,985</b> | <b>125,398</b>  | <b>1,747,890</b> |
| Temporarily restricted                         | 3,561            | 20,000          | 142,595          | -                | 17,276           | -               | 183,432          |
| <b>Total net assets (deficit)</b>              | <b>(127,461)</b> | <b>120,724</b>  | <b>403,795</b>   | <b>333,605</b>   | <b>1,075,261</b> | <b>125,398</b>  | <b>1,931,322</b> |
|  | \$ 307,279       | \$ 70,359       | \$ 191,076       | \$ 103,833       | \$ 1,194,996     | \$ 103,111      | \$ 1,970,654     |

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

*Fan Free Clinic, Inc.*  
*Statement of Activities*  
*Year Ended June 30, 2009*  
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**Fan Free Clinic, Inc.**

**Statement of Activities**

**Year Ended June 30, 2009**

|   | 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                          | \$ 50,365           | \$ 37,659            | \$ 517,487             | \$ 66,011            | \$ 556                      | \$ -                              | \$ 672,078      |
| Contributions - in-kind                       | 6,250               | 11,160               | 1,386,282              | -                    | -                           | -                                 | 1,403,692       |
| Special events                                | 34,134              | -                    | -                      | 18,647               | -                           | -                                 | 52,781          |
| Public grants - United Way                    | 12,879              | 45,303               | 50,629                 | 35,772               | -                           | -                                 | 144,583         |
| Public grants - City of Richmond              | 19,026              | 318,994              | 119,426                | -                    | -                           | -                                 | 457,446         |
| Public grants - Virginia Department of Health | -                   | 16,375               | -                      | 346,190              | -                           | -                                 | 362,565         |
| Public grants - other                         | -                   | 22,433               | -                      | -                    | -                           | -                                 | 22,433          |
|   | 122,654             | 451,924              | 2,073,824              | 466,620              | 556                         | -                                 | 3,115,578       |
| Revenue:                                      |                     |                      |                        |                      |                             |                                   |                 |
| Rental income - net                           | -                   | -                    | -                      | -                    | 26,304                      | -                                 | 26,304          |
| Investment income                             | -                   | -                    | -                      | -                    | -                           | 1,514                             | 1,514           |
| Miscellaneous income                          | 3,682               | -                    | 1,896                  | -                    | -                           | -                                 | 5,578           |
| <b>Total public support and revenue</b>       | 126,336             | 451,924              | 2,075,720              | 466,620              | 26,860                      | 1,514                             | 3,148,974       |

|   | 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                        | -                   | -                    | 1,851,512              | -                    | -                           | -                                 | 1,851,512       |
| Social and community outreach services          | -                   | 469,984              | -                      | 383,210              | -                           | -                                 | 853,194         |
|   | -                   | 469,984              | 1,851,512              | 383,210              | -                           | -                                 | 2,704,706       |
| Supporting services:                            |                     |                      |                        |                      |                             |                                   |                 |
| Management and general                          | 181,738             | -                    | -                      | -                    | 36,281                      | -                                 | 218,019         |
| Fundraising                                     | 32,856              | 21,594               | 21,594                 | 48,870               | 49                          | -                                 | 124,963         |
| Depreciation                                    | -                   | -                    | -                      | -                    | 34,300                      | -                                 | 34,300          |
|   | 214,594             | 21,594               | 21,594                 | 48,870               | 70,630                      | -                                 | 377,282         |
| <b>Total expenses</b>                           | 214,594             | 491,578              | 1,873,106              | 432,080              | 70,630                      | -                                 | 3,081,988       |
| <b>Transfers</b>                                |                     |                      |                        |                      |                             |                                   |                 |
| Transfers                                       | 103,703             | -                    | (45,885)               | (31,514)             | (26,304)                    | -                                 | -               |
| <b>Change in net assets</b>                     |                     |                      |                        |                      |                             |                                   |                 |
| Unrestricted                                    | 18,090              | (59,654)             | 185,039                | 3,026                | (58,806)                    | 1,514                             | 89,209          |
| Temporarily restricted                          | (2,645)             | 20,000               | (28,310)               | -                    | (11,268)                    | -                                 | (22,223)        |
|   | 15,445              | (39,654)             | 156,729                | 3,026                | (70,074)                    | 1,514                             | 66,986          |
| <b>Net assets (deficit) - beginning of year</b> | (142,906)           | 160,378              | 247,066                | 330,579              | 1,145,335                   | 123,884                           | 1,864,336       |
| <b>Net assets (deficit) - end of year</b>       | \$ (127,461) \$     | 120,724 \$           | 403,795 \$             | 333,605 \$           | 1,075,261 \$                | 125,398 \$                        | 1,931,322       |

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

**Fan Free Clinic, Inc.**

**Statement of Functional Expenses**

**Year Ended June 30, 2009**

|  | Administrative Fund | Social Services Fund | Clinical Services Fund | Health Outreach Fund | Property and Equipment Fund | Building and Program Reserve Fund | Total All Funds     |
|--|---------------------|----------------------|------------------------|----------------------|-----------------------------|-----------------------------------|---------------------|
| Salaries                                   | \$ 103,572          | \$ 224,754           | \$ 297,074             | \$ 230,016           | -                           | \$ -                              | \$ 855,416          |
| Employees' health benefits                 | 8,426               | 33,882               | 39,438                 | 28,621               | -                           | -                                 | 110,367             |
| Payroll taxes                              | 8,341               | 17,909               | 21,538                 | 18,980               | -                           | -                                 | 66,768              |
| Retirement plan                            | 8,196               | 5,359                | 7,134                  | 7,103                | -                           | -                                 | 27,792              |
| <b>Total salaries and related expenses</b> | <b>128,535</b>      | <b>281,904</b>       | <b>365,184</b>         | <b>284,720</b>       | <b>-</b>                    | <b>-</b>                          | <b>1,060,343</b>    |
| Donated labs                               | -                   | -                    | 1,067,937              | -                    | -                           | -                                 | 1,067,937           |
| Salaries-in-kind                           | 6,250               | 11,160               | 318,345                | -                    | -                           | -                                 | 335,755             |
| Specific assistance                        | -                   | 139,492              | -                      | -                    | -                           | -                                 | 139,492             |
| Fundraising                                | 32,856              | 21,594               | 21,594                 | 48,870               | 49                          | -                                 | 124,963             |
| Supplies                                   | 5,225               | 4,122                | 39,297                 | 44,331               | -                           | -                                 | 92,975              |
| Occupancy                                  | 7,027               | 10,830               | 18,737                 | 16,980               | -                           | -                                 | 53,574              |
| Building expenses                          | -                   | -                    | -                      | -                    | 35,301                      | -                                 | 35,301              |
| Equipment rental                           | 6,330               | 4,417                | 6,664                  | 3,850                | -                           | -                                 | 21,261              |
| Membership dues                            | -                   | 166                  | 17,293                 | 69                   | -                           | -                                 | 17,528              |
| Insurance                                  | 3,176               | 3,252                | 7,773                  | 3,251                | -                           | -                                 | 17,452              |
| Professional fees                          | 4,162               | 2,101                | 442                    | 10,383               | -                           | -                                 | 17,088              |
| Property taxes                             | 4,362               | 2,729                | 2,729                  | 2,730                | -                           | -                                 | 12,550              |
| Telephone                                  | 1,985               | 2,919                | 2,300                  | 4,787                | -                           | -                                 | 11,991              |
| Other                                      | 7,626               | 347                  | 575                    | 1,835                | -                           | -                                 | 11,340              |
| Travel                                     | 499                 | 1,958                | 163                    | 7,956                | 957                         | -                                 | 10,576              |
| Postage                                    | 2,197               | 1,553                | 1,308                  | 1,253                | -                           | -                                 | 6,311               |
| Printing                                   | 2,633               | 1,312                | 1,365                  | 906                  | -                           | -                                 | 6,216               |
| Conferences                                | 1,731               | 1,722                | 307                    | -                    | -                           | -                                 | 3,760               |
| Recruitment                                | -                   | -                    | 1,093                  | 159                  | -                           | -                                 | 1,252               |
| Interest                                   | -                   | -                    | -                      | -                    | 23                          | -                                 | 23                  |
| <b>Total expenses before depreciation</b>  | <b>214,594</b>      | <b>491,578</b>       | <b>1,873,106</b>       | <b>432,080</b>       | <b>36,330</b>               | <b>-</b>                          | <b>3,047,688</b>    |
| Depreciation                               | -                   | -                    | -                      | -                    | 34,300                      | -                                 | 34,300              |
| <b>Total expenses</b>                      | <b>\$ 214,594</b>   | <b>\$ 491,578</b>    | <b>\$ 1,873,106</b>    | <b>\$ 432,080</b>    | <b>\$ 70,630</b>            | <b>\$ -</b>                       | <b>\$ 3,081,988</b> |

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

*Fan Free Clinic, Inc.*

*Statement of Cash Flows*

Year Ended June 30, 2009

|   | 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  | \$ 15,445           | \$ (39,654)          | \$ 156,729             | \$ 3,026             | \$ (70,074)                 | \$ 1,514                          | \$ 66,986         |
| Adjustments to reconcile to net cash from operating activities: |                     |                      |                        |                      |                             |                                   |                   |
| Depreciation (including rental of \$6,366)                      | -                   | -                    | -                      | -                    | 40,666                      | -                                 | 40,666            |
| Change in:  |                     |                      |                        |                      |                             |                                   |                   |
| Advances  | 250                 | -                    | -                      | -                    | -                           | -                                 | 250               |
| Accounts receivable   | (23,640)            | 4,225                | 64,639                 | (47,381)             | 3,658                       | -                                 | 1,501             |
| Pledges receivable  | 2,645               | -                    | -                      | -                    | 11,268                      | -                                 | 13,913            |
| Grants receivable   | -                   | (20,000)             | 28,310                 | -                    | -                           | -                                 | 8,310             |
| Prepaid expenses  | 7,025               | -                    | -                      | -                    | -                           | -                                 | 7,025             |
| Accounts payable  | (2,236)             | (1,222)              | (3,008)                | 12,591               | 2,962                       | -                                 | 9,087             |
| <b>Net cash from operating activities</b>                       | <b>(511)</b>        | <b>(56,651)</b>      | <b>246,670</b>         | <b>(31,764)</b>      | <b>(11,520)</b>             | <b>1,514</b>                      | <b>147,738</b>    |
| <b>Cash flows from investing activities</b>                     |                     |                      |                        |                      |                             |                                   |                   |
| Purchase of property and equipment                              | -                   | -                    | -                      | -                    | (25,982)                    | -                                 | (25,982)          |
| Due to/from other funds   | 135,577             | 56,651               | (246,670)              | 31,764               | 22,823                      | (145)                             | -                 |
| <b>Net cash from investing activities</b>                       | <b>135,577</b>      | <b>56,651</b>        | <b>(246,670)</b>       | <b>31,764</b>        | <b>(3,159)</b>              | <b>(145)</b>                      | <b>(25,982)</b>   |
| <b>Cash flows from financing activities</b>                     |                     |                      |                        |                      |                             |                                   |                   |
| Principal payments on note payable                              | -                   | -                    | -                      | -                    | (6,065)                     | -                                 | (6,065)           |
| <b>Net change in cash and cash equivalents</b>                  | <b>135,066</b>      | <b>-</b>             | <b>-</b>               | <b>-</b>             | <b>(20,744)</b>             | <b>1,369</b>                      | <b>115,691</b>    |
| <b>Cash and cash equivalents - beginning of year</b>            | <b>134,563</b>      | <b>-</b>             | <b>-</b>               | <b>-</b>             | <b>57,932</b>               | <b>101,742</b>                    | <b>294,237</b>    |
| <b>Cash and cash equivalents - end of year</b>                  | <b>\$ 269,629</b>   | <b>\$ -</b>          | <b>\$ -</b>            | <b>\$ -</b>          | <b>\$ 37,188</b>            | <b>\$ 103,111</b>                 | <b>\$ 409,928</b> |
| <b>Supplemental disclosure of cash flow information</b>         |                     |                      |                        |                      |                             |                                   |                   |
| Cash paid for interest  | \$ -                | \$ -                 | \$ -                   | \$ -                 | \$ 34                       | \$ -                              | \$ 34             |

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, 2009

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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, 2009.

**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 and accounts receivable. As of June 30, 2009, the Clinic had no cash in excess of federally insured limits. 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.

### **Subsequent Events**

In preparing these financial statements, the Clinic has evaluated events and transactions for potential recognition or disclosure through November 4, 2009, the date the financial statements were available to be issued.

### 3. Property and Equipment

Major classes of property and equipment consist of the following:

|                                 |    |                  |
|---------------------------------|----|------------------|
| Land                            | \$ | 200,000          |
| Building                        |    | 1,119,981        |
| Equipment                       |    | 144,546          |
| Vehicles                        |    | 13,000           |
| Software                        |    | 11,768           |
|                                 |    | <u>1,489,295</u> |
| Less – accumulated depreciation |    | <u>(362,041)</u> |
|                                 | \$ | <u>1,127,254</u> |

### 4. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes:

|                                      | Administrative | Social Services | Clinical Services | Property and Equipment | Total      |
|--------------------------------------|----------------|-----------------|-------------------|------------------------|------------|
| Balance – June 30, 2008              | \$ 6,206       | \$ -            | \$ 170,905        | \$ 28,544              | \$ 205,655 |
| Revenues for restricted purposes     | -              | 20,000          | 87,143            | -                      | 107,143    |
| Expenditures for restricted purposes | -              | -               | (115,453)         | -                      | (115,453)  |
| Change in pledges receivable         | (2,645)        | -               | -                 | (11,268)               | (13,913)   |
| Balance – June 30, 2009              | \$ 3,561       | \$ 20,000       | \$ 142,595        | \$ 17,276              | \$ 183,432 |

The property and equipment and administrative restricted net assets balances represent pledges receivable which have an implied time restriction. The clinical services balance represents grants received for specific programs.

### 5. 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 \$378,915 for 2009, of which \$335,755 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 \$1,067,937 for 2009.

## 6. Support from Governmental Units

During 2009, approximately 48% 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.

## 7. 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 \$27,792 for 2009.

## 8. Pledges Receivable

The Clinic has pledges receivable as follows:

|                             | Due Within      |                  |                  |
|-----------------------------|-----------------|------------------|------------------|
|                             | 1 Year          | 2 - 5<br>Years   | Total            |
| Administrative fund         | \$ 2,592        | \$ 998           | \$ 3,590         |
| Property and equipment fund | 5,413           | 12,220           | 17,633           |
| Total                       | <u>\$ 8,005</u> | <u>\$ 13,218</u> | 21,223           |
| Less - discount (3%)        |                 |                  | <u>(386)</u>     |
| Net present value           |                 |                  | <u>\$ 20,837</u> |

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