

**ARLINGTON FREE CLINIC**  
**FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2014 AND 2013**

**ARLINGTON FREE CLINIC  
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CliftonLarsonAllen

CliftonLarsonAllen LLP  
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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Arlington Free Clinic  
Arlington, Virginia

We have audited the accompanying financial statements of Arlington Free Clinic (the "Clinic"), which comprise the statements of financial position as of June 30, 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.

### ***Auditors' 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 auditors' 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 Arlington Free Clinic as of June 30, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*CliftonLarsonAllen LLP*

CliftonLarsonAllen LLP

Arlington, Virginia  
September 8, 2014

**ARLINGTON FREE CLINIC  
STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2014 AND 2013**

	2014	2013
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 321,982	\$ 179,759
Grants and Contributions Receivable	370,955	391,174
Inventory	5,093	6,101
Prepaid Expenses	85,024	63,248
Total Current Assets	783,054	640,282
<b>INVESTMENTS</b>	2,458,113	2,230,898
<b>GRANTS AND CONTRIBUTIONS RECEIVABLE, NET OF CURRENT PORTION</b>	60,000	71,644
<b>PROPERTY AND EQUIPMENT, NET</b>	3,896,857	3,987,254
Total Assets	\$ 7,198,024	\$ 6,930,078
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable and Accrued Expenses	\$ 154,678	\$ 154,445
Capital Lease Payable, Current Portion	5,216	6,472
Total Current Liabilities	159,894	160,917
<b>CAPITAL LEASE PAYABLE, NET OF CURRENT PORTION</b>	17,711	1,146
Total Liabilities	177,605	162,063
<b>NET ASSETS</b>		
Unrestricted	5,768,008	5,587,096
Temporarily Restricted	884,137	812,645
Permanently Restricted	368,274	368,274
Total Net Assets	7,020,419	6,768,015
Total Liabilities and Net Assets	\$ 7,198,024	\$ 6,930,078

See accompanying Notes to Financial Statements.

**ARLINGTON FREE CLINIC  
STATEMENTS OF ACTIVITIES  
YEARS ENDED JUNE 30, 2014 AND 2013**

	2014				2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>REVENUE AND OTHER SUPPORT</b>								
Contributions	\$ 789,467	\$ 258,143	\$ -	\$ 1,047,610	\$ 657,563	\$ 217,784	\$ -	\$ 875,347
Grants	-	708,250	-	708,250	76,000	544,700	-	620,700
Special Events, Net of Benefit Expense of \$154,370 and \$124,159, Respectively	701,961	-	-	701,961	585,393	-	-	585,393
Donated Goods and Services	4,885,118	-	-	4,885,118	4,050,287	-	-	4,050,287
Investment Income	259,747	42,527	-	302,274	148,565	27,333	-	175,898
Other Income	-	-	-	-	12,592	-	-	12,592
Net Assets Released from Restrictions	937,428	(937,428)	-	-	743,343	(743,343)	-	-
<b>Total Revenue and Other Support</b>	<b>7,573,721</b>	<b>71,492</b>	<b>-</b>	<b>7,645,213</b>	<b>6,273,743</b>	<b>46,474</b>	<b>-</b>	<b>6,320,217</b>
<b>EXPENSES</b>								
Program Services:								
Arlington Free Clinic	6,598,782	-	-	6,598,782	5,785,280	-	-	5,785,280
Support Services:								
Management and General	324,287	-	-	324,287	275,900	-	-	275,900
Fund-Raising	469,740	-	-	469,740	423,399	-	-	423,399
Total Support Services	794,027	-	-	794,027	699,299	-	-	699,299
<b>Total Expenses</b>	<b>7,392,809</b>	<b>-</b>	<b>-</b>	<b>7,392,809</b>	<b>6,484,579</b>	<b>-</b>	<b>-</b>	<b>6,484,579</b>
<b>CHANGE IN NET ASSETS</b>	180,912	71,492	-	252,404	(210,836)	46,474	-	(164,362)
Net Assets - Beginning of Year	5,587,096	812,645	368,274	6,768,015	5,797,932	766,171	368,274	6,932,377
<b>NET ASSETS - END OF YEAR</b>	<b>\$ 5,768,008</b>	<b>\$ 884,137</b>	<b>\$ 368,274</b>	<b>\$ 7,020,419</b>	<b>\$ 5,587,096</b>	<b>\$ 812,645</b>	<b>\$ 368,274</b>	<b>\$ 6,768,015</b>

See accompanying Notes to Financial Statements.

**ARLINGTON FREE CLINIC  
STATEMENTS OF FUNCTIONAL EXPENSES  
YEARS ENDED JUNE 30, 2014 AND 2013**

	2014				2013			
	Program Services	Management and General	Fund-raising	Total	Program Services	Management and General	Fund-raising	Total
Salaries	\$ 1,165,529	\$ 182,183	\$ 350,810	\$ 1,698,522	\$ 1,189,745	\$ 168,824	\$ 291,236	\$ 1,649,805
Employee Benefits and Payroll Taxes	171,226	23,520	46,491	241,237	167,406	19,214	40,598	227,218
Professional and Consultant Fees	1,390	80,213	-	81,603	5,617	62,358	173	68,148
Clinic Expense	60,051	-	-	60,051	68,582	-	-	68,582
Event and Meeting Expenses	7,661	5,818	16,963	30,442	8,321	499	3,759	12,579
Internet and Communications	59,947	910	4,463	65,320	55,898	1,029	6,455	63,382
Postage and Shipping	5,010	118	11,441	16,569	4,717	62	14,768	19,547
Office Expense	20,057	644	1,716	22,417	21,892	565	1,724	24,181
Printing Expense	4,105	49	26,402	30,556	5,693	48	40,324	46,065
Occupancy and Other Related Expenses	63,200	1,669	2,616	67,485	66,151	1,900	2,739	70,790
Depreciation and Amortization	128,170	3,002	5,454	136,626	127,021	2,702	5,405	135,128
Insurance	4,709	2,538	75	7,322	4,150	2,526	52	6,728
Miscellaneous	34,582	12,573	2,386	49,541	19,020	12,973	10,146	42,139
Donated Goods and Services:								
Donated Medical Services	3,574,317	-	-	3,574,317	3,076,881	-	-	3,076,881
Donated Pharmaceuticals	1,298,828	-	-	1,298,828	964,186	-	-	964,186
Donated Accounting and Legal Services	-	11,050	-	11,050	-	3,200	-	3,200
Donated Printing Services	-	-	923	923	-	-	6,020	6,020
Total Donated Goods and Services	<u>4,873,145</u>	<u>11,050</u>	<u>923</u>	<u>4,885,118</u>	<u>4,041,067</u>	<u>3,200</u>	<u>6,020</u>	<u>4,050,287</u>
 Total Expenses	 <u>\$ 6,598,782</u>	 <u>\$ 324,287</u>	 <u>\$ 469,740</u>	 <u>\$ 7,392,809</u>	 <u>\$ 5,785,280</u>	 <u>\$ 275,900</u>	 <u>\$ 423,399</u>	 <u>\$ 6,484,579</u>

See accompanying Notes to Financial Statements.

**ARLINGTON FREE CLINIC  
STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30, 2014 AND 2013**

	2014	2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 252,404	\$ (164,362)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation and Amortization	136,627	135,129
Loss on Disposal of Property and Equipment	115	-
Donated Securities Received	(60,200)	(34,243)
Unrealized Gain on Investments	(229,847)	(104,386)
Realized Gains on Sale of Investments	(14,732)	(8,618)
Changes in Assets and Liabilities:		
Grants and Contributions Receivable	31,863	12,343
Inventory	1,008	(1,177)
Prepaid Expenses	(21,776)	(1,189)
Accounts Payable and Accrued Expenses	233	(21,867)
Net Cash Provided (Used) by Operating Activities	95,695	(188,370)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Investments and Reinvested Dividends	(327,728)	(625,210)
Proceeds from Sale of Investments	405,292	575,474
Purchase of Property and Equipment	(22,595)	(15,530)
Net Cash Provided (Used) by Investing Activities	54,969	(65,266)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principal Payments on Capital Lease Obligations	(8,441)	(5,837)
Net Cash Used by Financing Activities	(8,441)	(5,837)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		
	142,223	(259,473)
Cash and Cash Equivalents - Beginning of Year	179,759	439,232
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b>\$ 321,982</b>	<b>\$ 179,759</b>
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>		
Cash Paid During the Year for Interest	\$ 821	\$ 1,123
<b>SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:</b>		
Purchase of Equipment Through Capital Lease	\$ 23,750	\$ -
Receipt of Donated Investments	\$ 60,200	\$ 34,243

See accompanying Notes to Financial Statements.

**ARLINGTON FREE CLINIC  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014 AND 2013**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

Arlington Free Clinic, Inc. was organized in June 1993 to operate a health clinic that provides free medical services and educational information to Arlington County residents who are unable to afford basic medical services. The Arlington Free Clinic, Inc. (the Clinic) opened in January 1994 through the efforts of physicians with the Arlington Medical Society. Currently the Clinic is run largely by volunteers including physicians, nurses, physician's assistants, nurse practitioners, pharmacists and lab technicians, as well as nonmedical volunteers and is funded through general contributions and grants from various health related foundations.

**Basis of Presentation**

The Clinic prepares its financial statements on the accrual basis of accounting. Consequently, revenue is recognized when earned and expenses when the obligations are incurred.

**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 certain reported amounts of assets and liabilities and disclosures 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 could differ from those estimates.

**Income Tax Status**

The Clinic is exempt from the payment of federal income taxes on its exempt activities under Section 501(c)(3) of the Internal Revenue Code. The Internal Revenue Service has determined that the Organization is not a private foundation.

The Clinic has adopted the guidance in the income tax standard regarding the recognition and measurement of uncertain tax positions. The adoption of this standard had no impact on the Organization's financial statements. The Organization files as a tax-exempt organization. Should that status be challenged in the future, the Organization's 2011, 2012 and 2013 tax years are open for examination by the IRS.

**Cash and Cash Equivalents**

For financial statement purposes, the Clinic considers its demand deposits and its short-term certificates of deposit that are highly-liquid and for which the current redemption value approximates carrying value to be cash and cash equivalents. The Clinic does not consider money market funds included in investment portfolios to be cash equivalents.

**Grants and Contributions Receivable**

Receivables are stated at net realizable value. Accounts are individually analyzed for collectability. Write-off of accounts receivable occurs when all collection efforts have been exhausted or certain conditions or forgiveness have been reached.



**ARLINGTON FREE CLINIC  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014 AND 2013**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Inventory**

Inventory represents pharmaceuticals purchased and is stated at the lower of cost or market based on the first-in first-out method.

**Investments**

The Clinic carries its investments at market value and realized and unrealized gains and losses are reflected in the statements of activities.

**Fair Value Measurements**

The Clinic accounts for a significant portion of its financial instruments at fair value or considers fair value in their measurement. The Clinic accounts for certain financial assets and liabilities at fair value under various accounting literature. The Clinic also accounts for certain assets at fair value under applicable industry guidance.

**Fair Value Hierarchy**

The Clinic has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Financial assets and liabilities recorded on the statements of financial position are categorized based on the inputs to the valuation techniques as follows:

**Level 1**

Financial assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market that the Clinic has the ability to access. These include investments that are recorded at fair value on a recurring basis and fair value measurement is based upon quoted prices, if available. Securities valued using Level 1 inputs include those traded on active exchanges (such as the New York Stock Exchange), as well as U.S. Treasury and other exchange traded securities.

**Level 2**

Financial assets and liabilities whose values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability.

**Level 3**

Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect management's own assumptions about the assumptions a market participant would use in pricing the asset or liability.

**ARLINGTON FREE CLINIC  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014 AND 2013**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Property and Equipment**

Acquisitions of property and equipment in excess of \$1,000 are recorded at cost and depreciated using the straight-line method over the useful lives of assets of five to 39 years.

**Net Assets**

Net assets and changes therein are classified into the following categories:

**Unrestricted Net Assets**

The Clinic's unrestricted net assets represent funds available for general operations.

**Temporarily Restricted Net Assets**

Represents resources received by the Clinic that are specifically time-restricted or restricted by donors for various programs.

**Permanently Restricted Net Assets**

Represents funds received from the Federal Government for construction and equipping the Clinic's facilities. The Federal Government retains a percentage of ownership security interest in the property, which may require reimbursement upon any transfer, sale, disposal or change in use of the property. As the property is expected to be used by the Clinic in its clinic operation indefinitely, it is considered unlikely that the Federal security interest will have any future financial impact on the Clinic.

**Revenue Recognition**

**Contributions**

Contributions are recorded when awarded or pledged and classified as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Temporarily restricted contributions that are received and used according to donor restrictions in the same period are recognized as temporarily restricted contributions and reclassified as net assets released from restrictions in the same period.

Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. Assets received in connection with conditional promises are reported as refundable advances or refundable sponsorships until such time the conditions are substantially met.

In-kind donations are recorded at their estimated fair market value on the date of receipt. In-kind services are recorded at their estimated fair market value if such services are specialized and would typically be purchased if not donated.

**ARLINGTON FREE CLINIC  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014 AND 2013**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Allocation of Expenses**

The costs of providing various programs and supporting activities have been summarized on a functional basis in the notes to financial statements. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on personnel efforts or space usage.

**Uniform Prudent Management of Institutional Funds Act**

In 2008, the Commonwealth of Virginia enacted the Uniform Prudent Management of Institutional Funds Act (UPMIFA). Under UPMIFA, all unexpended endowment earnings are considered temporarily restricted.

**Subsequent Events**

In preparing these financial statements, the Clinic has evaluated events and transactions for potential recognition or disclosure through September 8, 2014, the date the financial statements were available to be issued.

**NOTE 2 CONCENTRATION OF FINANCIAL AND CREDIT RISK**

Financial instruments which subject the Clinic to a concentration of credit risk consist of demand deposits placed with financial institutions. At times during the year, the Clinic had funds invested with local financial institutions in excess of the Federal Deposit Insurance Corporation limits.

**NOTE 3 GRANTS AND CONTRIBUTIONS RECEIVABLE**

Grants and contributions receivable consist of unconditional promises to give at June 30, 2014 and 2013.

Gross contributions receivable expected to be collected in:

	<u>2014</u>	<u>2013</u>
Less than One Year	\$ 370,955	\$ 391,174
One to Five Years	60,000	71,644
Total Contributions Receivable	<u>\$ 430,955</u>	<u>\$ 462,818</u>

**ARLINGTON FREE CLINIC  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014 AND 2013**

**NOTE 4 INVESTMENTS**

Investments consist of the following at June 30, 2014 and 2013:

	2014		2013	
	Cost	Market	Cost	Market
Bond Mutual Funds	\$ 1,047,857	\$ 1,041,576	\$ 969,696	\$ 942,012
Equity Mutual Funds	1,039,502	1,402,481	1,096,705	1,249,534
Money Market Funds	14,056	14,056	39,352	39,352
Total	<u>\$ 2,101,415</u>	<u>\$ 2,458,113</u>	<u>\$ 2,105,753</u>	<u>\$ 2,230,898</u>

Net investment income for the years ended June 30, 2014 and 2013 is comprised of the following:

	2014	2013
Interest and Dividends	\$ 57,695	\$ 62,894
Realized Gains	14,732	8,618
Unrealized Gain	229,847	104,386
Total	<u>\$ 302,274</u>	<u>\$ 175,898</u>

**NOTE 5 FAIR VALUE MEASUREMENTS**

The following table presents the Clinic's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of June 30, 2014 and 2013:

	2014			
	Level 1	Level 2	Level 3	Total
<i>Investments:</i>				
Bond Mutual Funds	\$ 1,041,576	\$ -	\$ -	\$ 1,041,576
Equity Mutual Funds	1,402,481	-	-	1,402,481
Money Market Funds	-	-	-	14,056
Total	<u>\$ 2,444,057</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,458,113</u>
	2013			
	Level 1	Level 2	Level 3	Total
<i>Investments:</i>				
Bond Mutual Funds	\$ 942,012	\$ -	\$ -	\$ 942,012
Equity Mutual Funds	1,249,534	-	-	1,249,534
Money Market Funds	-	-	-	39,352
Total	<u>\$ 2,191,546</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,230,898</u>

Money market funds are cash equivalents that are not subject to fair value; however, management has included in the above table since they are shown as part of the investment portfolio.

**ARLINGTON FREE CLINIC  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014 AND 2013**

**NOTE 6 PROPERTY AND EQUIPMENT**

Property and equipment consist of the following at June 30, 2014 and 2013:

	2014	2013
Land	\$ 1,370,731	\$ 1,370,731
Buildings and Improvements	2,643,303	2,643,303
Computer Equipment	55,373	59,048
Computer Software	221,810	196,944
Furniture and Equipment	249,522	248,677
Clinic/Medical Equipment	3,169	3,169
	4,543,908	4,521,872
Less: Accumulated Depreciation	(647,051)	(534,618)
Net Property and Equipment	\$ 3,896,857	\$ 3,987,254

**NOTE 7 CAPITAL LEASE PAYABLE**

The Clinic had two new copiers under a capital lease valued at \$22,905 being depreciated over a four-year lease life. In fiscal year 2014, the Clinic traded the copiers for two new copiers. The new copiers were valued at \$23,750 and are being depreciated over a four-year lease life. Depreciation expense and accumulated depreciation on the new capital lease for the year ended June 30, 2014 was \$990 and \$990, respectively.

The following is a schedule of future minimum payments required under the lease:

Year	Total
2015	\$ 7,140
2016	7,140
2017	7,140
2018	5,945
Total	27,365
Less Imputed Interest	(4,438)
Present Value of Future Minimum Lease Payments	\$ 22,927

**NOTE 8 TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets are as follows at June 30, 2014 and 2013:

	2014	2013
Star Fund	\$ 300,394	\$ 266,216
Women's Health	100,034	220,075
Technology and Other	41,441	-
Patient Centered Medical Home	118,166	244,000
Time Restricted	324,102	82,354
Total	\$ 884,137	\$ 812,645

**ARLINGTON FREE CLINIC**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014 AND 2013**

**NOTE 9 CONTRIBUTED SERVICES**

During the years ended June 30, 2014 and 2013, the Clinic received pro bono services and donated pharmaceuticals and other goods having an estimated fair value of \$4,885,118 and \$4,050,287, respectively.

The value of contributed services used by the Clinic and meeting the requirements for recognition as revenues and expenses in the financial statements was \$3,586,290 and \$3,086,026 for the years ended June 30, 2014 and 2013, respectively. Included in these totals are amounts donated by Virginia Hospital Center – Arlington (a related party – Director of Case Management of the Hospital Center is also on the Clinic’s board of directors) that provided lab fees, x-ray services and other medical tests with an estimated value of \$1,550,076 and \$1,620,153 for the years ended June 30, 2014 and 2013, respectively.

The value of donated goods and pharmaceuticals recorded in the financial statements for the years ended June 30, 2014 and 2013 is estimated to be \$1,298,828 and \$964,186, respectively.

Donated pharmaceutical samples from attending physicians and other non-profit groups are not reflected in inventory. In sample form, they have no market for sale and therefore no market value. In addition, the Clinic estimates that all pharmaceutical samples donated are distributed within one operating cycle.

The Clinic has elected not to record various donated pharmaceuticals from the Prescription Assistance Program. The Program donations are for specific patients and are treated as an agency transaction with the Clinic acting in an intermediary capacity. The Clinic estimates the retail value of these prescriptions received and delivered during the fiscal years ended June 30, 2014 and 2013, to be \$1,600,000 and \$1,300,000, respectively.

**NOTE 10 RETIREMENT PLAN**

The Clinic maintains a Section 401(k) retirement plan that covers substantially all employees. The Clinic makes a contribution of 3% of each participant’s eligible compensation subject to certain limitations. The Clinic’s contributions to the Plan for the years ended June 30, 2014 and 2013 were \$40,101 and \$36,812, respectively.

**ARLINGTON FREE CLINIC  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014 AND 2013**

**NOTE 11 ENDOWMENT**

The Clinic's endowment consists of an endowment established through the Clinic's Star Fund during the fiscal year ended June 30, 2007, to support the medical needs of patients. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the temporarily restricted unexpended endowment earnings and permanently restricted net assets.

The Board of Directors has interpreted the Commonwealth of Virginia UPMIFA as requiring the preservation of the gift in accordance with the donor's stipulation. As a result of this interpretation, the Clinic classifies the Star Fund temporarily restricted net assets which includes a donor specified spending policy as endowment and those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Clinic considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Clinic and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Clinic
- The investment policies of the Clinic

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Clinic to retain as a fund for perpetual duration. In accordance with GAAP, deficiencies of this nature are reported as a reduction of unrestricted net assets. There were no deficiencies as of June 30, 2014 and 2013.

Return Objectives and Risk Parameters

Management of the endowment assets is designed to ensure a total return (income plus capital change) necessary to preserve and enhance (in real dollar terms) the principal of the fund and, at the same time, provide a dependable source of support for current operations and programs. Therefore, the Clinic's goal for its endowment funds is to preserve and enhance purchasing power after accounting for investment returns, spending, and inflation (but excluding gifts). The return goal is to generate a real return (after inflation) equal to or greater than 5% per year, on average.

**ARLINGTON FREE CLINIC  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014 AND 2013**

**NOTE 11 ENDOWMENT (CONTINUED)**

Strategies Employed for Achieving Objectives

Reasonable diversification is sought at all times. Experience has shown financial markets and inflation rates are cyclical and, therefore, control of volatility will be achieved through diversification of asset classes and selection of managers of diverse investment styles. The Finance Committee of the Board of Directors reviews the performance and diversification of the portfolio in relation to the Clinic's Investment Policy.

Spending Policy

The Clinic may distribute each year up to 5% of its endowment fund's average fair value of the prior three (3) years.

The following is a summary of endowment funds subject to UPMIFA which are included in the total investment amounts on the statements of financial position for the years ended June 30, 2014 and 2013:

Endowment Net Assets, July 1, 2012	\$ 244,653
Contributions	7,000
Investment Gain	27,333
Appropriations	<u>(12,770)</u>
Endowment Net Assets, June 30, 2013	266,216
Contributions	5,200
Investment Gain	42,527
Appropriations	<u>(13,549)</u>
Endowment Net Assets, June 30, 2014	<u><u>\$ 300,394</u></u>