

JEANIE SCHMIDT FREE CLINIC

AUDITED FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2010

DUNHAM, AUKAMP & RHODES, PLC  
Certified Public Accountants  
Chantilly, Virginia

# JEANIE SCHMIDT FREE CLINIC

## Table of Contents

	<u>Page</u>
Independent Auditors' Report	1
Statement of Financial Position	2
Statement of Activities	3
Statement of Functional Expenses	4
Statement of Cash Flows	5
Notes to Financial Statements	6-9

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Jeanie Schmidt Free Clinic

We have audited the accompanying statement of financial position of Jeanie Schmidt Free Clinic (a not-for-profit organization) as of June 30, 2010 and the related statements of activities, cash flows, and functional expenses for the year then ended. These financial statements are the responsibility of Jeanie Schmidt Free Clinic's management. 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 Jeanie Schmidt Free Clinic as of June 30, 2010 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.



Certified Public Accountants  
Chantilly, Virginia

November 11, 2010

**JEANIE SCHMIDT FREE CLINIC**  
**STATEMENT OF FINANCIAL POSITION**  
**June 30, 2010**

<b>ASSETS</b>	
Current Assets	
Cash and cash equivalents	\$ 410,941
Prepaid expenses	7,609
Supplies	<u>854</u>
Total Current Assets	<u>419,404</u>
Property and Equipment	
Furniture and equipment	48,957
Less: Accumulated depreciation	<u>(23,510)</u>
Net Property and Equipment	<u>25,447</u>
Other Assets	
Security deposit	<u>4,051</u>
Total Assets	<u><u>\$ 448,902</u></u>
<b>LIABILITIES AND NET ASSETS</b>	
Current Liabilities	
Accrued payroll and payroll taxes	<u>\$ 11,253</u>
Total Liabilities	<u>11,253</u>
Net Assets	
Unrestricted	349,315
Temporarily restricted	<u>88,334</u>
Total Net Assets	<u>437,649</u>
Total Liabilities and Net Assets	<u><u>\$ 448,902</u></u>

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

## JEANIE SCHMIDT FREE CLINIC

### STATEMENT OF ACTIVITIES For the Year Ended June 30, 2010

	Unrestricted	Temporarily Restricted	Total
<b>Revenues and Support</b>			
Contributions and grants	\$ 481,375	\$ 125,000	\$ 606,375
Contributed services	182,980	-	182,980
Interest income	2,205	-	2,205
Golf tournament revenues	9,439	-	9,439
Less: Golf tournament expenses	(3,020)	-	(3,020)
Net assets released from restrictions	95,412	(95,412)	-
<b>Total Revenues and Support</b>	768,391	29,588	797,979
 <b>Expenses</b>			
Program expenses	559,646	-	559,646
Management and general	17,509	-	17,509
Fundraising	14,309	-	14,309
<b>Total Expenses</b>	591,464	-	591,464
 <b>Change in Net Assets</b>	176,927	29,588	206,515
<b>Net Assets at Beginning of Year</b>	172,388	58,746	231,134
 <b>Net Assets at End of Year</b>	\$ 349,315	\$ 88,334	\$ 437,649

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

**JEANIE SCHMIDT FREE CLINIC**

**STATEMENT OF FUNCTIONAL EXPENSES  
For the Year Ended June 30, 2010**

	<u>Program</u>	<u>Management &amp; General</u>	<u>Fund- raising</u>	<u>Total</u>
Payroll expenses	\$ 254,023	\$ 7,871	\$ 7,871	\$ 269,765
Contributed services	165,347	-	-	165,347
Rent and utilities	39,510	4,939	4,939	49,388
Pharmaceuticals	43,721	-	-	43,721
Payroll taxes expense	22,918	710	710	24,338
Medical supplies	6,293	-	-	6,293
Office supplies	5,872	182	182	6,236
Insurance	3,917	121	121	4,159
Depreciation expense	4,759	147	147	5,053
Telephone	3,521	109	109	3,739
Financial services	-	3,200	-	3,200
Printing	2,566	79	79	2,724
Dues and subscriptions	2,453	76	76	2,605
Volunteer program expense	2,305	-	-	2,305
Miscellaneous expense	2,074	64	64	2,202
Postage	367	11	11	389
 Total Expenses	 <u>\$ 559,646</u>	 <u>\$ 17,509</u>	 <u>\$ 14,309</u>	 <u>\$ 591,464</u>

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

**JEANIE SCHMIDT FREE CLINIC**  
**STATEMENT OF CASH FLOWS**  
**For the Year Ended June 30, 2010**

Cash flows from operating activities	
Change in net assets	\$ 206,515
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation	5,053
Changes in assets and liabilities:	
Increase in prepaid expenses	(1,264)
Increase in supplies	(104)
Increase in security deposits	(1,014)
Increase in accrued payroll and payroll taxes	<u>8,740</u>
Net cash provided by operating activities	<u>217,926</u>
 Cash flows from investing activities	
Purchases of property and equipment	<u>(18,722)</u>
Net cash used in investing activities	<u>(18,722)</u>
 Change in cash and cash equivalents	199,204
 Cash and cash equivalents, beginning of year	<u>211,737</u>
 Cash and cash equivalents, end of year	<u><u>\$ 410,941</u></u>

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

# JEANIE SCHMIDT FREE CLINIC

## NOTES TO FINANCIAL STATEMENTS

### NOTE 1 - Organization and Significant Accounting Policies

The Jeanie Schmidt Free Clinic was established in 2002 as a center to provide health care services to uninsured and low income residents of Fairfax County. The clinic also provides education, referrals and services for children and adults, such as eyeglasses and dental care. Services are provided to those individuals that are at or below 200% of the federal poverty level and live in the communities of Herndon, Reston, Chantilly, or Centreville. The Clinic was originally incorporated as the Herndon Free Clinic, Inc., but changed to its current name in 2007.

The following is a summary of significant accounting policies followed in the preparation of these financial statements:

- a) Financial Statement Presentation – The Clinic prepares its financial statements on the accrual basis of accounting. Accordingly, revenues are accrued when earned and expenditures are recorded as incurred. The Clinic is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Clinic does not currently have any permanently restricted net assets.
- b) Revenue Recognition – Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. The Organization reports gifts of cash and other assets as restricted support if they are received with donor restrictions that limit the use of the donated assets, or if they are designated as support for future periods. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activity as net assets released from restrictions. Donor restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.
- c) Statement of Cash Flows – The organization considers substantially all highly liquid investments with an initial maturity of three months or less when purchased to be cash equivalents.
- d) Property and Equipment – Property and equipment are recorded at cost for purchased items with an initial cost exceeding \$1,000 and market value at the date of gift for donated items. Depreciation is computed on the straight-line basis over the estimated useful lives of the assets of three to seven years.
- e) Use of Estimates – The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

# JEANIE SCHMIDT FREE CLINIC

## NOTES TO FINANCIAL STATEMENTS

(Continued)

### NOTE 1 - Organization and Significant Accounting Policies (Continued)

- f) **Income Tax** – The organization has been granted tax exempt status under the Internal Revenue Code Section 501(c)(3) on all income other than unrelated business income. Accordingly, no provision for income tax has been provided in the accompanying financial statements.
- g) **Uncertain Tax Positions** – JSFC has adopted the provisions of Financial Accounting Standards (FASB) interpretation No. 48 “Accounting for Uncertainty in Income Taxes.” The Interpretation provides clarification on accounting for uncertainty in income taxes recognized in an entity’s financial statements in accordance with FASB Statement of Financial Accounting Standards (SFAS) No. 109, “Accounting for Income Taxes.” The interpretation prescribes a recognition threshold and measurement attribute for the financial statements recognition and measurement of a tax position taken or expected to be taken in a tax return, and also provides guidance on derecognition, classification, interest, penalties, accounting in interim periods, disclosure and transition. Adoption did not have a significant impact on the balance sheet or statement of operations, and as of June 30, 2010, JSFC has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. The tax years subject to examination by the taxing authorities are the years ended June 30, 2007 through 2009.
- h) **Concentration of Credit Risk** - The Organization occasionally maintains deposits in excess of federally insured limits. Statement of Financial Accounting Standards No. 105 identifies these items as a concentration of credit risk requiring disclosure, regardless of the degree of risk. The risk is managed by maintaining all deposits in high quality financial institutions. The Clinic has not experienced any losses on its cash accounts.
- i) **Allocated Costs** – Salaries, rent and payroll taxes have been allocated between the program, fundraising and general and administrative functions based on level of effort.
- j) **Advertising Cost** – Advertising costs are expensed when incurred.

### NOTE 2 - Functional Allocation of Expenses

The costs of providing the various programs, fund-raising and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and fund raising activities benefited.

# JEANIE SCHMIDT FREE CLINIC

## NOTES TO FINANCIAL STATEMENTS (Continued)

### NOTE 3 - Contributed Goods and Services

Contributed services are reported in the financial statements for voluntary donations of services when those services: (1) Create or enhance non-financial assets; or (2) Require specialized skills provided by individuals possessing those skills and are services that would be typically purchased if not provided by donation. For the year ended June 30, 2010, \$148,926 of contributed services was recorded. This represents 3,562 hours contributed by physicians, pharmacists, nurses and nurse practitioners.

A substantial number of community volunteers have donated numerous hours to the Clinic's program services during the year; however, these donated services are not reflected in the financial statements since the services do not require specialized skills. These community liaisons contributed 3,796 hours for the year ended June 30, 2010.

The Clinic was able to obtain lab services on behalf of patients from Reston Hospital and pharmaceuticals from various suppliers. However, because these goods and services were provided directly to the patients their value is not reflected in these financial statements. The value of laboratory services and pharmaceuticals obtained on behalf of clients was \$1,442,358 and \$405,533, respectively.

### NOTE 4 - Lease Obligation

In November 2009, the Center entered into a three year lease agreement for facility and office space commencing December 2009. The base rent increases at an annual rate of 3%. Total rent expense for the year ended June 30, 2010 was \$49,388.

The total future minimum lease commitments at June 30, 2010 under the leases listed above are due as follows:

Year ending June 30,	
2011	\$ 48,616
2012	50,075
2013	<u>51,577</u>
Total minimum lease payments	<u>\$150,268</u>

JEANIE SCHMIDT FREE CLINIC

NOTES TO FINANCIAL STATEMENTS  
(Concluded)

NOTE 5 - Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following donors as of June 30, 2010:

NVHF	\$52,500
Kaiser Permanente	<u>34,834</u>
Total	<u>\$88,334</u>

Net assets were released from donor restrictions by incurring expenses, satisfying the purpose or time restrictions specified by donors as follows:

Northern VA Health Foundation	<u>\$169,837</u>
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NOTE 6 – Evaluation of Subsequent Events

JSFC has evaluated subsequent events through November 16, 2010, the date which the financial statements were available to be issued.