

**St. Petersburg Free Clinic, Inc.
And Affiliate**

Consolidated Financial Statements

September 30, 2019 and 2018



ST. PETERSBURG FREE CLINIC, INC. AND AFFILIATE
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
St. Petersburg Free Clinic, Inc. and Affiliate
St. Petersburg, Florida

We have audited the accompanying consolidated financial statements of St. Petersburg Free Clinic, Inc. and Affiliate (the Free Clinic) (a nonprofit organization), which comprise the consolidated statements of financial position as of September 30, 2019 and 2018, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

CONTINUED

INDEPENDENT AUDITOR'S REPORT - CONTINUED

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the St. Petersburg Free Clinic, Inc. and Affiliate as of September 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in **NOTE Q** to the consolidated financial statements, management discovered an error in previously issued financial statements and has restated the 2018 consolidated financial statements included herein. Our opinion is not modified with respect to that matter.

PDR CPAs + Advisors

Oldsmar, Florida
March 23, 2020

**ST. PETERSBURG FREE CLINIC, INC.
AND AFFILIATE
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2019 AND 2018**

<u>ASSETS</u>	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 3,191,497	\$ 2,397,671
Grants receivable	366,179	392,349
Bequests receivable	90,714	182,531
Promises to give, net	2,190,692	2,657,909
Inventory	355,220	136,180
Prepaid expenses and other assets	114,146	131,082
Investments	2,306,268	2,139,979
Beneficial interest in assets held by others	391,809	172,353
Property and equipment, net	9,726,662	9,705,002
Construction in progress	363,271	115,312
Total Assets	\$19,096,458	\$18,030,368
 <u>LIABILITIES AND NET ASSETS</u> 		
Liabilities		
Accounts payable and other accrued expenses	\$ 293,531	\$ 125,603
Accrued payroll and benefits	253,529	201,853
Annuity obligations	89,820	80,263
Total liabilities	636,880	407,719
Net assets		
Without donor restrictions, as restated:		
Operating	34,828	40,661
Property and equipment	10,089,933	9,820,314
Board designated for endowment	1,922,823	1,786,234
Board designated for Men's Residence	715,487	715,487
Total net assets without donor restrictions	12,763,071	12,362,696
With donor restrictions	5,696,507	5,259,953
Total net assets	18,459,578	17,622,649
Total Liabilities and Net Assets	\$19,096,458	\$18,030,368

See notes to consolidated financial statements

**ST. PETERSBURG FREE CLINIC, INC.
AND AFFILIATE
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2019
(WITH COMPARATIVE TOTALS FOR 2018)**

	Without Donor Restrictions	With Donor Restrictions	Total	
			2019	2018
Public Support and Revenue				
Contributions	\$ 2,226,093	\$ -	\$ 2,226,093	\$ 1,620,788
Grants and restricted gifts	-	2,058,550	2,058,550	3,382,722
Capital campaign	-	-	-	13,465
Special events, net of \$129,047 in direct expense	463,771	-	463,771	434,046
Bequests	737,631	90,714	828,345	306,160
In-kind revenue				
Services	294,703	-	294,703	306,110
Food	18,327,360	-	18,327,360	12,802,665
Investment income	128,233	-	128,233	175,042
Net assets released from restrictions	1,712,710	(1,712,710)	-	-
Total public support and revenue	23,890,501	436,554	24,327,055	19,040,998
Expenses				
Program services				
Health Center	1,380,319	-	1,380,319	1,313,817
Jared S. Hechtkopf Community Food Bank	15,598,832	-	15,598,832	11,555,531
We Help Services	3,835,781	-	3,835,781	2,362,715
Baldwin Women's Residence	800,966	-	800,966	719,257
Family Residence	422,349	-	422,349	368,861
Men's Residence	366,683	-	366,683	461,689
Total program services	22,404,930	-	22,404,930	16,781,870
Support services				
General and administrative	408,530	-	408,530	269,109
Fundraising	676,666	-	676,666	541,566
Total support services	1,085,196	-	1,085,196	810,675
Total expenses	23,490,126	-	23,490,126	17,592,545
Change in Net Assets from Operations	400,375	436,554	836,929	1,448,453
Other Changes				
Gain on disposal of property	-	-	-	664,455
	-	-	-	664,455
Change in Net Assets	400,375	436,554	836,929	2,112,908
Net Assets, Beginning of Year, Restated	12,362,696	5,259,953	17,622,649	15,509,741
Net Assets, End of Year	\$ 12,763,071	\$ 5,696,507	\$ 18,459,578	\$ 17,622,649

See notes to consolidated financial statements

**ST. PETERSBURG FREE CLINIC, INC.
AND AFFILIATE
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Public Support and Revenue			
Contributions	\$ 1,620,788	\$ -	\$ 1,620,788
Grants and contract revenue	-	3,382,722	3,382,722
Capital campaign	-	13,465	13,465
Special events, net of \$85,297 in direct expense	434,046	-	434,046
Bequests	123,629	182,531	306,160
In-kind revenue:			
Services	306,110	-	306,110
Food	12,802,665	-	12,802,665
Investment income	175,042	-	175,042
Net assets released from restrictions	3,258,649	(3,258,649)	-
Total public support and revenue	18,720,929	320,069	19,040,998
Expenses			
Program services			
Health Center	1,313,817	-	1,313,817
Jared S. Hechtkopf Community Food Bank	11,555,531	-	11,555,531
We Help Services	2,362,715	-	2,362,715
Baldwin Women's Residence	719,257	-	719,257
Family Residence	368,861	-	368,861
Men's Residence	461,689	-	461,689
Total program services	16,781,870	-	16,781,870
Support services			
General and administrative	269,109	-	269,109
Fundraising	541,566	-	541,566
Total support services	810,675	-	810,675
Total expenses	17,592,545	-	17,592,545
Change in Net Assets from Operations	1,128,384	320,069	1,448,453
Other Changes			
Gain on disposal of property	664,455	-	664,455
	664,455	-	664,455
Change in Net Assets, Restated	1,792,839	320,069	2,112,908
Net Assets, Beginning of Year, Restated	10,569,857	4,939,884	15,509,741
Net Assets, End of Year, Restated	\$ 12,362,696	\$ 5,259,953	\$ 17,622,649

See notes to consolidated financial statements

**ST. PETERSBURG FREE CLINIC, INC.
AND AFFILIATE
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	Program Services						Total Program Services
	Health Center	Jared S. Hechtkopf Community Food Bank	We Help Services	Baldwin Women's Residence	Family Residence	Men's Residence	
Salaries and related expenses							
Salaries	\$ 603,904	\$ 300,722	\$ 196,364	\$ 307,139	\$ 140,518	\$ 174,953	\$ 1,723,600
Payroll taxes and employee benefits	85,921	34,188	30,878	47,525	26,563	32,820	257,895
Total salaries and related expenses	689,825	334,910	227,242	354,664	167,081	207,773	1,981,495
Other expenses							
Advertising	7,036	7,626	6,237	6,282	6,267	6,237	39,685
Bank charges	-	-	-	-	-	-	-
Computer expenses	65,005	24,133	26,057	38,818	24,887	27,434	206,334
Contract services	-	-	-	-	-	-	-
Direct assistance	43,232	65,269	345,819	9,851	(133)	12,217	476,255
Dues and subscriptions	5,565	178	1,352	78	83	78	7,334
Fees and licenses	7,638	823	771	3,496	153	1,334	14,215
Food	-	14,849,890	3,054,182	87,417	78,110	28,547	18,098,146
Insurance	21,740	12,738	15,961	30,943	11,253	3,881	96,516
Legal and professional	10,765	7,318	7,749	9,724	5,729	6,303	47,588
Maintenance and repairs	27,094	9,186	33,969	46,769	24,693	10,245	151,956
Occupancy	31,223	19,354	41,401	65,597	42,877	35,093	235,545
Other	-	-	-	-	-	-	-
Postage and printing	4,320	2,009	13,867	1,939	1,379	1,394	24,908
Supplies	366,790	17,631	22,184	30,245	19,154	13,701	469,705
Small equipment and furniture	7,236	7,721	3,138	9,214	2,347	492	30,148
Training	5,249	1,308	559	1,612	156	593	9,477
Transportation	1,220	56,441	2,128	4,542	4,590	5,228	74,149
Depreciation	86,381	182,297	33,165	99,775	33,723	6,133	441,474
Total other expenses	690,494	15,263,922	3,608,539	446,302	255,268	158,910	20,423,435
Total expenses	\$ 1,380,319	\$15,598,832	\$ 3,835,781	\$ 800,966	\$ 422,349	\$ 366,683	\$22,404,930

See notes to consolidated financial statements

**ST. PETERSBURG FREE CLINIC, INC.
AND AFFILIATE
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES - CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	<u>Support Services</u>			<u>Total Expenses</u>
	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total Support Services</u>	
Salaries and related expenses				
Salaries	\$ 157,322	\$ 403,175	\$ 560,497	\$ 2,284,097
Payroll taxes and employee benefits	128,815	47,474	176,289	434,184
Total salaries and related expenses	<u>286,137</u>	<u>450,649</u>	<u>736,786</u>	<u>2,718,281</u>
Other expenses				
Advertising	785	13,449	14,234	53,919
Bank charges	819	12,241	13,060	13,060
Computer expenses	39,018	28,530	67,548	273,882
Contract services	-	21,400	21,400	21,400
Direct assistance	-	-	-	476,255
Dues and subscriptions	1,862	6,712	8,574	15,908
Fees and licenses	6,808	18,136	24,944	39,159
Food	-	-	-	18,098,146
Insurance	5,201	5,201	10,402	106,918
Legal and professional	5,020	8,063	13,083	60,671
Maintenance and repairs	11,292	6,197	17,489	169,445
Occupancy	10,282	10,213	20,495	256,040
Other	-	1,393	1,393	1,393
Postage and printing	5,689	40,546	46,235	71,143
Supplies	13,725	26,431	40,156	509,861
Small equipment and furniture	2,378	1,335	3,713	33,861
Training	2,831	11,058	13,889	23,366
Transportation	3,753	2,873	6,626	80,775
Depreciation	12,930	12,239	25,169	466,643
Total other expenses	<u>122,393</u>	<u>226,017</u>	<u>348,410</u>	<u>20,771,845</u>
Total expenses	<u>\$ 408,530</u>	<u>\$ 676,666</u>	<u>\$ 1,085,196</u>	<u>\$23,490,126</u>

See notes to consolidated financial statements

**ST. PETERSBURG FREE CLINIC, INC.
AND AFFILIATE
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	Program Services						Total Program Services
	Health Center	Jared S. Hechtkopf Community Food Bank	We Help Services	Baldwin Women's Residence	Family Residence	Men's Residence	
Salaries and related expenses							
Salaries	\$ 592,491	\$ 260,623	\$ 148,432	\$ 280,749	\$ 132,207	\$ 172,394	\$ 1,586,896
Payroll taxes and employee benefits	83,209	27,753	26,435	41,582	25,879	36,080	240,938
Total salaries and related expenses	675,700	288,376	174,867	322,331	158,086	208,474	1,827,834
Other expenses							
Advertising	5,212	4,265	4,549	4,350	4,265	4,313	26,954
Bank charges	-	-	-	-	-	-	-
Computer expenses	62,582	20,818	26,993	28,144	17,682	16,474	172,693
Contract services	-	-	-	-	-	-	-
Direct assistance	47,954	23,989	304,743	17,234	9,667	11,506	415,093
Dues and subscriptions	6,893	141	269	70	70	70	7,513
Fees and licenses	17,826	2,523	2,140	1,859	542	682	25,572
Food	-	10,929,810	1,690,909	88,193	63,110	19,131	12,791,153
Insurance	20,228	11,901	14,431	28,912	9,704	5,598	90,774
Legal and professional	3,302	2,990	2,961	3,153	3,015	2,961	18,382
Maintenance and repairs	27,352	9,734	24,297	32,453	13,250	11,537	118,623
Occupancy	28,980	17,227	38,947	70,970	40,509	31,961	228,594
Bad debt	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Postage and printing	8,772	4,771	12,341	5,850	5,219	5,874	42,827
Supplies	331,275	30,088	9,647	10,433	3,903	65,391	450,737
Small equipment and furniture	3,937	9,606	34,048	2,720	750	51,662	102,723
Training	3,063	429	309	176	52	190	4,219
Transportation	2,144	50,873	4,050	2,365	3,461	4,629	67,522
Depreciation	68,597	147,990	17,214	100,044	35,576	21,236	390,657
Total other expenses	638,117	11,267,155	2,187,848	396,926	210,775	253,215	14,954,036
Total expenses	\$ 1,313,817	\$11,555,531	\$ 2,362,715	\$ 719,257	\$ 368,861	\$ 461,689	\$16,781,870

See notes to consolidated financial statements

**ST. PETERSBURG FREE CLINIC, INC.
AND AFFILIATE
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES - CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	<u>Support Services</u>		<u>Total Support Services</u>	<u>Total Expenses</u>
	<u>General and Administrative</u>	<u>Fundraising</u>		
Salaries and related expenses				
Salaries	\$ 106,594	\$ 324,797	\$ 431,391	\$ 2,018,287
Payroll taxes and employee benefits	78,253	42,747	121,000	361,938
Total salaries and related expenses	<u>184,847</u>	<u>367,544</u>	<u>552,391</u>	<u>2,380,225</u>
Other expenses				
Advertising	-	4,592	4,592	31,546
Bank charges	425	18,624	19,049	19,049
Computer expenses	26,586	25,586	52,172	224,865
Contract services	-	1,725	1,725	1,725
Direct assistance	-	-	-	415,093
Dues and subscriptions	428	2,894	3,322	10,835
Fees and licenses	4,378	30,115	34,493	60,065
Food	-	-	-	12,791,153
Insurance	5,436	4,869	10,305	101,079
Legal and professional	2,607	1,585	4,192	22,574
Maintenance and repairs	12,563	5,175	17,738	136,361
Occupancy	11,562	12,652	24,214	252,808
Bad debt	-	15,000	15,000	15,000
Other	38	13,792	13,830	13,830
Postage and printing	4,589	13,643	18,232	61,059
Supplies	4,611	9,928	14,539	465,276
Small equipment and furniture	484	160	644	103,367
Training	4,909	7,632	12,541	16,760
Transportation	771	1,174	1,945	69,467
Depreciation	4,875	4,876	9,751	400,408
Total other expenses	<u>84,262</u>	<u>174,022</u>	<u>258,284</u>	<u>15,212,320</u>
Total expenses	<u>\$ 269,109</u>	<u>\$ 541,566</u>	<u>\$ 810,675</u>	<u>\$17,592,545</u>

See notes to consolidated financial statements

**ST. PETERSBURG FREE CLINIC, INC.
AND AFFILIATE
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018**

	2019	2018
Cash Flows from Operating Activities:		
Change in net assets	\$ 836,929	\$ 2,112,908
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	466,643	400,408
Gain on disposal of property	-	(664,455)
Realized gains on investments	-	(32,512)
Unrealized gains on investments	(29,034)	(67,304)
Change in value of beneficial interest in assets held by others	(219,456)	365
(Increase) decrease in operating assets:		
Grants receivable	26,170	42,227
Bequests receivable	91,817	(136,531)
Unconditional promises to give, net	467,217	(284,473)
Inventory	(219,040)	2,245
Prepaid expenses and other assets	16,936	(1,067)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	167,928	46,376
Accrued payroll and benefits	51,676	17,920
Annuity obligations	9,557	80,263
Net cash provided by operating activities	1,667,343	1,516,370
Cash Flows from Investing Activities:		
Purchases of property and equipment	(372,991)	(1,539,574)
Proceeds from sale of property and equipment	-	863,397
Purchases of construction in progress	(363,271)	(100,189)
Proceeds from sale of investments	94,547	107,467
Purchases of investments	(231,802)	(238,252)
Net cash used in investing activities	(873,517)	(907,151)
Net Increase in Cash and Cash Equivalents	793,826	609,219
Cash and Cash Equivalents at Beginning of Year	2,397,671	1,788,452
Cash and Cash Equivalents at End of Year	\$ 3,191,497	\$ 2,397,671
Supplemental Cash Flow Information:		
Contributed services	\$ 294,703	\$ 306,110
In-kind donations	\$ 18,327,360	\$ 12,802,665

See notes to consolidated financial statements

**ST. PETERSBURG FREE CLINIC, INC.
AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018**

NOTE A - NATURE OF ORGANIZATION

The consolidated financial statements include the operations of St. Petersburg Free Clinic, Inc. and the Sister Margaret Freeman Foundation, Inc. (the Foundation) (collectively, the Free Clinic). With compassion and respect, St. Petersburg Free Clinic changes lives by providing food, shelter and health care to our neighbors in need. The Free Clinic is a multi-service, independent, not-for-profit human services agency providing community neighbors assistance with food, shelter, and health care. The Free Clinic has been caring for the underserved facing temporary emergency needs throughout Pinellas County since 1970. Primary beneficiaries of the Free Clinic's programs are families and individuals in Pinellas County - specifically a combination of low income and working-poor who fall through the cracks of existing systems and services. Its current programs include:

Free Clinic Health Center

Established in 1970, Free Clinic Health Center provides primary health care services for adults aged 18 - 64 without private insurance, Medicare or Medicaid, and who do not qualify for county-subsidized health care. Free Clinic Health Center offers basic health and wellness services by a full-time nurse practitioner, a full-time health educator, full-time nurse coordinator, plus volunteer physicians and nurses. Available services include blood pressure and blood sugar testing and diabetic screenings, over the counter medications, prescription drug assistance, physical therapy, health related support groups, and referral services. For the fiscal years ended 2019 and 2018, the Free Clinic Health Center provided over 5,900 and 9,300 points of services, respectively, and filled prescriptions valued at \$1.2 million and \$3.3 million, respectively.

Free Clinic Health Education Program

The Health Education Program encourages and supports patients on their path to living a healthier, fuller life through two key prevention programs: The Cardiovascular Program provides patients with the resources to improve and manage their heart health and the Diabetes Education Program provides education, support and provision of medication and supplies to diabetic patients.

Free Clinic Dental Clinic

Free Clinic Dental Clinic provides uninsured adults with dental hygiene, fillings, and extractions. Volunteer dentists, dental assistants, and dental hygienists provide care to patients through clinics that are hosted multiple times per month. The Free Clinic Dental Clinic assisted 780 and 668 patients with 1,425 and 1,074 procedures for the fiscal years 2019 and 2018, respectively.

Jared S. Hechtkopf Community Food Bank

Established in 1980 as the second food bank in Florida, Jared S. Hechtkopf Community Food Bank (Jared's Food Bank) solicits food products from all segments of the food industry, as well as from groups and organizations through food drives and individual donations. Jared's Food Bank distributes food free of charge to over 60 partner agencies throughout the community, including food pantries, shelters, community kitchens, missions, residential programs, and childcare centers. These include Free Clinic's We Help Services, Baldwin Women's Residence, Family Residence, and its Men's Residence. Jared's Food Bank collected and distributed approximately 11.3 million and 7.6 million pounds of food for fiscal years 2019 and 2018, respectively. Every month, over 50,000 of our neighbors in need receive food assistance through these efforts.

**ST. PETERSBURG FREE CLINIC, INC.
AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018**

NOTE A - NATURE OF ORGANIZATION - CONTINUED

Free Clinic We Help Services

Established in 1975, Free Clinic We Help Services provides emergency food and financial assistance, personal hygiene items, assistance with obtaining proper identification, and referral information. The Free Clinic We Help Services provided approximately 201,600 and 141,400 services to approximately 71,300 and 56,600 clients for fiscal years 2019 and 2018, respectively.

Baldwin Women's Residence

Established in 1989, the Virginia and David Baldwin Women's Residence (Baldwin Women's Residence) provides a safe place to stay as well as support services to single, homeless women in recovery as they work toward their goal of self-sufficiency. Residents may stay from one to twelve months while working to save money, set goals, and build life skills. Baldwin Women's Residence provided shelter and support to 130 and 121 women for fiscal years 2019 and 2018, respectively.

Free Clinic Family Residence

In February 2013, the Free Clinic acquired property for the purpose of better serving homeless families. The Residence provided 100 and 92 families with transitional shelter for fiscal years 2019 and 2018, respectively. Homeless families are referred to the program by the Juvenile Welfare Board and Personal Enrichment for Mental Health Services (PEMHS). These families are provided intensive navigation services to overcome the barriers to obtain permanent housing. The goal of the Family Residence is to serve families by providing safe shelter, as well as a path to permanent housing.

Free Clinic Men's Residence

Established in 1997, Free Clinic Men's Residence provides safe, supportive, transitional shelter to single, homeless men in recovery. The capacity of Men's Residence is 28 residents. Residents work with staff to set goals, save money, and work toward independent living. The Free Clinic Men's Residence assisted 61 and 70 homeless men for fiscal years 2019 and 2018, respectively.

Affiliate

The Sister Margaret Freeman Foundation, Inc. (the Foundation), a not-for-profit foundation, was incorporated on May 20, 1996. The Free Clinic and the Foundation are related through an economic interest and a majority voting interest on the board of directors. The Foundation's activities for the fiscal years ended September 30, 2019 and 2018 are included in these consolidated financial statements. All significant intercompany balances and transactions are eliminated in consolidation.

**ST. PETERSBURG FREE CLINIC, INC.
AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018**

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying consolidated financial statements of the Free Clinic have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (US GAAP).

The Free Clinic presents information regarding its financial position and activities according to two classes of net assets described as follows:

- Net assets without donor restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Free Clinic. These net assets may be used at the discretion of the Free Clinic’s management and the board of directors.
- Net assets with donor restrictions – Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Free Clinic or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Use of Estimates

The preparation of consolidated financial statements in conformity with US GAAP 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 consolidated financial statements. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates. Significant estimates include the collectability of receivables and unconditional promises to give, determination of the useful lives of the property and equipment, and allocation of functional expenses.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on deposit with financial institutions and from time to time money market fund accounts. The Free Clinic considers all highly liquid assets with an initial maturity of three months or less as cash.

Financial instruments which potentially subject the Free Clinic to concentrations of credit risk consist principally of cash held in financial institutions in excess of federally insured limits. From time to time throughout the years ended September 30, 2019 and 2018, the Free Clinic’s cash balance may have exceeded the federally insured limit. However, the Free Clinic has not experienced and does not expect to incur any losses in such accounts.

Inventory

Inventory consists of donated and purchased food and supplies. Donated merchandise is recorded at its estimated fair value at date of receipt. Purchased merchandise is recorded at lower of cost or market, with the cost being determined by the first in, first-out method.

**ST. PETERSBURG FREE CLINIC, INC.
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NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Promises to Give

Conditional promises to give are not recognized in the consolidated financial statements until the conditions are substantially met or explicitly waived by the donor. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in more than one year are recorded at fair value, which is measured as the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. In the absence of donor stipulations to the contrary, promises with payments due in future periods are restricted to use after the due date.

The Free Clinic uses the allowance method to determine uncollectible promises to give. The allowance for potentially uncollectible accounts was \$0 and \$15,000 at September 30, 2019 and 2018, respectively.

Grants and Restricted Gifts

Grants and other contributions of cash and other assets are reported as increases in net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions. Contributions received with donor-imposed restrictions that are met in the same year in which the contributions are received are classified as increases in net assets with donor restrictions and then released to net assets without donor restrictions. All contributions are available for unrestricted use unless specifically restricted by the donor.

Donated Services

Donated services that require specialized skills are recorded at fair market value. Donated services are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. These services consisted of medical services donated and totaled approximately \$295,000 and \$306,000 for the years ended September 30, 2019 and 2018, respectively.

Property and Equipment

Property and equipment are stated at cost, if purchased or at estimated fair value at the date of receipt, if acquired by gift. Expenditures in excess of \$2,500 with an estimated useful life in excess of one year are capitalized. Depreciation is calculated using the straight-line method over the useful lives of the respective assets ranging from 3 to 40 years. Gifts of long-lived assets are reported as unrestricted support.

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NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Investments

Investments in debt and equity securities and mutual funds are stated at fair market value in the statements of financial position. Investment income or loss (including gains or losses on investments, interest, and dividends) is included in the consolidated statements of activities as increases or decreases in net assets without donor restrictions unless the income or loss is restricted by donor or law.

Investment income and gains earned on the endowment fund are reported as increases in net assets with donor restrictions in the reporting period in which the income and gains are recognized and released from restriction when distributed for operating purposes.

Charitable Gift Annuities

The Free Clinic maintains custody of the assets related to charitable gift annuities (CGA) and makes specified distributions to a designated beneficiary over the term of each annuity. Assets under the annuities are recorded at fair value.

The annuity liabilities associated with the CGA are determined based on the present value of the estimated future payments to be made to the designated beneficiaries. Discount rates used in computing present values range from 1.94% to 2.03%. The liability is reduced as distributions are made to the beneficiaries.

Income Taxes

The Free Clinic is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

Uncertain Tax Positions

The Free Clinic accounts for the effect of any uncertain tax positions based on a “more likely than not” threshold to the recognition of the tax positions being sustained based on the technical merits of the position under scrutiny by the applicable taxing authority. If a tax position or positions are deemed to result in uncertainties of those positions, the unrecognized tax benefit is estimated based on a “cumulative probability assessment” that aggregates the estimated tax liability for all uncertain tax positions. The Free Clinic has identified its tax status as a tax-exempt entity as its only significant tax position; however, the Free Clinic has determined that such tax position does not result in an uncertainty requiring recognition. The Free Clinic is not currently under examination by any taxing jurisdiction. The Free Clinic’s federal returns are generally open for examination for three years following the date filed.

Measure of Operations

The statements of activities report all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to the Organization's ongoing services. Nonoperating activities, if any, are limited to other activities considered to be of a more unusual or nonrecurring nature.

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NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Functional Allocation of Expenses

The costs of providing the programs and supporting services have been reported on a functional basis in the consolidated statements of activities and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Program and supporting expenses, when specifically identifiable, are classified to the function which incurred the expense. Salaries and payroll taxes have been allocated using employee time sheets which documents the time spent within each program and category. Certain expenses are allocated to each function based on management's estimate.

Fair Value Measurements

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on a measurement date. There is a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. There are three levels of inputs that may be used to measure fair value:

- Level 1: Quoted market prices in active markets for identical assets or liabilities.
- Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data.
- Level 3: Unobservable inputs that are not corroborated by market data

The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the financial instrument's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

Reclassifications

Certain amounts in the prior year consolidated financial statements have been reclassified for comparative purposes to conform with the presentation in the current year consolidated financial statements. Net assets have not been impacted as a result of these reclassifications.

New Accounting Pronouncement

On August 18, 2016, the Financial Accounting Standards Board issued Accounting Standards Update 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these statements accordingly.

**ST. PETERSBURG FREE CLINIC, INC.
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NOTE C - AVAILABILITY AND LIQUIDITY

The Free Clinic is supported by contributions with and without donor restrictions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Free Clinic must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for expenditure within one year. As part of the Free Clinic's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. The Free Clinic regularly monitors liquidity to meet its operating needs and other contractual commitments. The Free Clinic has various sources of liquidity at its disposal including cash and investments.

At September 30, 2019, the Free Clinic's financial assets available to meet general expenditures within one year were as follows:

Financial Assets:

Cash and cash equivalents	\$ 3,191,497
Grants receivable	366,179
Bequests receivable	90,714
Promises to give	2,190,692
Investments	2,306,268
Beneficial interest in assets held by others	<u>391,809</u>
Total financial assets	8,537,159

Less amounts unavailable for general expenditure within one year due to:

Contractual or donor imposed restrictions:

Internally controlled endowments	(850,000)
Externally controlled endowments	(391,809)
Contributions with donor restrictions	(2,469,437)
Promises to give with donor restrictions	<u>(1,390,692)</u>
Total contractual or donor-imposed restrictions	(5,101,938)

Board designations:

Net assets designated for endowment	(1,922,823)
Net assets designated for Men's Residence	<u>(715,487)</u>
Total board designations	<u>(2,638,310)</u>

Financial assets available to meet general expenditures within one year	<u><u>\$ 796,911</u></u>
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**ST. PETERSBURG FREE CLINIC, INC.
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NOTE D - INVESTMENTS

The Free Clinic's investments consist of the following at September 30, 2019 and 2018:

	2019		2018	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Money market funds	\$ 123,285	\$ 123,285	\$ 95,327	\$ 95,327
Mutual funds	1,615,222	1,968,661	1,509,730	1,834,001
Certificate of deposit	214,322	214,322	210,651	210,651
	<u>\$ 1,952,829</u>	<u>\$ 2,306,268</u>	<u>\$ 1,815,708</u>	<u>\$ 2,139,979</u>

The following summarizes investment income reflected in the consolidated statements of activities:

	<u>2019</u>	<u>2018</u>
Interest and dividends	\$ 99,199	\$ 75,226
Realized gains	-	32,512
Unrealized gains	29,034	67,304
Total investment return	<u>\$ 128,233</u>	<u>\$ 175,042</u>

NOTE E - BEQUESTS RECEIVABLE

The Free Clinic recognizes a receivable and revenue for their interest in bequests based on the inventories of estate assets and conditions contained in the respective wills. Amounts expected to be received in future years are discounted to provide estimates in current year dollars. The Free Clinic records bequests receivable (when the court declares the related will valid) as donor restricted. As funds from an estate (other than those required to be held in perpetuity) are collected, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions. Bequests receivable at September 30, 2019 and 2018 are \$90,714 and \$182,531, respectively.

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NOTE F - BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS

In 2012, the Free Clinic invested \$52,600 within the Community Foundation of Tampa Bay. This amount is considered to be an asset of the Free Clinic and is presented as beneficial interest in assets held by others in the accompanying consolidated statements of financial position as of September 30, 2019 and 2018. As of September 30, 2019 and 2018, this investment was valued at \$56,209 and \$57,353, respectively. In addition, at September 30, 2019 and 2018, the Community Foundation of Tampa Bay (the Community Foundation) was holding a balance of approximately \$46,600 and \$48,000, respectively, representing contributions made directly to the Community Foundation for the benefit of the Free Clinic. Earnings on these funds are earmarked to be distributed on a periodic basis to the Free Clinic. The Community Foundation has been granted variance power over these funds which provide the Community Foundation the unilateral power to redirect the use of the funds to other beneficiaries if the Free Clinic were to discontinue operations. Because the Community Foundation has been granted variance power, funds contributed by donors to the Community Foundation on behalf of the Free Clinic are not considered to be an asset of the Free Clinic and have not been reported in the accompanying consolidated financial statements.

In 2012, the Sister Margaret Freeman Foundation invested \$115,000 with the Pinellas Community Foundation in an endowment. The Pinellas County Community Foundation matched the \$115,000 with 30% or \$34,500. The endowment will pay 5% of its year-end value to the Free Clinic each year. The 30% match is not considered to be an asset of the Free Clinic and has not been reported in the consolidated financial statements. As of September 30, 2019 and 2018, this endowment, including the 30% match, was valued at approximately \$154,300 and \$154,600, respectively. The portion invested by the Sister Margaret Freeman Foundation is reflected as beneficial interest in assets held by others on the consolidated statements of financial position.

NOTE G - UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give at September 30, 2019 and 2018 are summarized as follows:

	<u>2019</u>	<u>2018</u>
Gross unconditional promises to give	\$ 2,286,048	\$ 2,808,322
Less unamortized discount	(95,356)	(135,413)
Less allowance for uncollectible amounts	-	(15,000)
Net unconditional promises to give	<u>\$ 2,190,692</u>	<u>\$ 2,657,909</u>
Amount due in:		
Less than one year	\$ 944,048	\$ 893,327
One to five years	<u>1,342,000</u>	<u>1,914,995</u>
	<u>\$ 2,286,048</u>	<u>\$ 2,808,322</u>

**ST. PETERSBURG FREE CLINIC, INC.
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NOTE G - UNCONDITIONAL PROMISES TO GIVE - CONTINUED

Unconditional promises to give at September 30, 2019 include pledges from two donors totaling approximately \$1.9 million or 84% of total unconditional promises to give. Amounts due from the same two donors totaled \$2.7 million or 96% of total unconditional promises to give at September 30, 2018. Promises to give with due dates extending beyond one year are discounted to present value using Treasury bill rates with similar term investments. The applicable discount rates used ranged from 2.05% to 3.44%.

NOTE H - PROPERTY AND EQUIPMENT AND CONSTRUCTION IN PROGRESS

Property and equipment consists of the following at September 30:

	<u>2019</u>	<u>2018</u>
Land	\$ 1,774,435	\$ 1,774,435
Building and improvements	8,285,939	7,999,970
Furniture and equipment	878,652	841,480
Vehicles	549,861	384,699
	<u>11,488,887</u>	<u>11,000,584</u>
Less accumulated depreciation	<u>(1,762,225)</u>	<u>(1,295,582)</u>
	<u>\$ 9,726,662</u>	<u>\$ 9,705,002</u>

Construction in progress at September 30, 2019 and 2018 was \$363,271 and \$115,312, respectively, and represents amounts paid to date for the renovation and expansion of the Free Clinic's facilities for the We Help and Dental programs. Depreciation will commence when the renovations are completed and placed in service.

NOTE I - OPERATING LEASE

The Free Clinic has entered into operating leases, which cover parking, software, and office equipment. Total rental expense for these leases was approximately \$17,000 and \$33,000 for the years ended September 30, 2019 and 2018, respectively. The approximate future minimum lease payments required under these operating leases at September 30, 2019 are as follows:

<u>Years Ending September 30,</u>	<u>Amount</u>
2020	\$ 12,000
2021	12,000
2022	12,000
2023	12,000
2024	12,000
Thereafter	<u>15,000</u>
	<u>\$ 75,000</u>

**ST. PETERSBURG FREE CLINIC, INC.
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NOTE J - CHARITABLE GIFT ANNUITIES

Under the charitable gift annuity agreements, the Free Clinic receives a stated amount and, in consideration of the amount transferred, agrees to pay the annuitants a specified annuity payment. Of the three agreements in effect, one agreement requires quarterly distributions at an annual distribution rate of 4.5%. The second and third agreements require annual distributions of 11.5% and 13.5%, respectively, and distributions are deferred until the year 2031. Distributions during each of the years ended September 30, 2019 and 2018 were approximately \$4,800.

State law requires the Free Clinic to maintain assets at least equal to the sum of the reserves on its outstanding charitable gift annuity agreements, calculated in accordance with the Internal Revenue Code, and a surplus of 10% of such reserves. The Free Clinic voluntarily maintains assets that are in excess of the required reserves and surplus.

NOTE K - DONATED FOOD AND MEDICINE

During the years ended September 30, 2019 and 2018, the Free Clinic received approximately 11.3 million and 7.6 million pounds of donated food, respectively. The donated food is estimated to be valued at \$1.62 a pound for fiscal year 2019 and \$1.68 a pound for fiscal year 2018, which amounts to approximately \$18,300,000 and \$12,800,000, respectively. The donations and the inventory value of donated food are recorded when the Free Clinic has the unilateral power to redirect the use of the transferred assets to another beneficiary.

Additionally, the Free Clinic receives donated medicine throughout the year consisting primarily of sample items. Medicines are disbursed appropriately as needed. Due to the high volume of activity, and the difficulty in determining the fair value, revenue and expense are not recorded.

NOTE L - RETIREMENT PLAN

The Free Clinic has a 401(k) retirement plan which covers all employees over 21 years of age having one year of service, provided they have met the 1,000 hours of service requirement. Annual contributions are made at the discretion of the Board. The contribution for fiscal 2019 and 2018 was approximately \$105,800 and \$59,000, respectively.

NOTE M - FOUNDATION

The Sister Margaret Freeman Foundation, Inc.'s net assets as of September 30, 2019 and 2018 consisted of the following:

	<u>2019</u>	<u>2018</u>
Without donor restrictions, undesignated	\$ 32,696	\$ 23,900
Board designated for endowment purposes	1,922,823	1,786,234
With donor restrictions	<u>115,000</u>	<u>115,000</u>
	<u>\$ 2,070,519</u>	<u>\$ 1,925,134</u>

**ST. PETERSBURG FREE CLINIC, INC.
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NOTE N - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of September 30, 2019 and 2018 relate to assets contributed by donors and other funding sources for specific purposes and time periods as follows:

	<u>2019</u>	<u>2018</u>
Subject to time restrictions:		
Bequests receivable	\$ 90,714	\$ 182,531
Subject to use restrictions:		
Donated property	228,288	228,288
Grants and restricted gifts	2,748,613	1,973,625
Promises to give	1,390,692	1,657,909
	<u>4,367,593</u>	<u>3,859,822</u>
Net assets held in perpetuity:		
Tampa Bay Community Foundation	52,600	52,600
Pinellas County Community Foundation	115,000	115,000
Beth Houghton Leadership Endowment	20,600	-
Food Bank Endowment	200,000	-
Founders Endowment	50,000	50,000
Rothman Endowment Receivable	800,000	1,000,000
	<u>1,238,200</u>	<u>1,217,600</u>
	<u>\$ 5,696,507</u>	<u>\$ 5,259,953</u>

Net assets were released from restrictions as follows during the years ended September 30, 2019 and 2018, by incurring expenses satisfying the restricted purposes, or by occurrence of other events specified by donors:

	<u>2019</u>	<u>2018</u>
Bequests receivable	\$ 182,531	\$ 46,000
Grants and restricted gifts	1,159,569	1,340,414
Project pledges	370,610	1,688,541
Baldwin Women's Residence Campaign	-	183,694
	<u>\$ 1,712,710</u>	<u>\$ 3,258,649</u>

**ST. PETERSBURG FREE CLINIC, INC.
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NOTE N - NET ASSETS WITH DONOR RESTRICTIONS - CONTINUED

In 2007, the Free Clinic received a \$50,000 donation to establish an endowment fund. A stipulation of the donation was the Free Clinic match the contributed amount from unrestricted monies. The matching funds are included as part of board designated funds. Terms of the donation require the funds to be segregated from the Free Clinic's operating funds. Earnings will be released to the Free Clinic for general operations. This donor-restricted endowment is included in net assets held in perpetuity.

In 2012, the Free Clinic invested \$52,600 with the Community Foundation of Tampa Bay. Only the earnings on these funds will be distributed on a periodic basis to the Free Clinic. Based on the terms of the investment, the invested amount will never be returned to the Free Clinic. The initial investment is reported as net assets with donor restrictions and the year-end value in excess of the initial investment is included in net assets without donor restrictions.

In 2012, the Sister Margaret Freeman Foundation invested \$115,000 within the Pinellas County Community Foundation. As an incentive for this investment the Pinellas County Community Foundation provided a 30% match on the funds invested into the Sister Margaret Freeman Foundation's account. Only the earnings on these funds will be distributed on a periodic basis to the Sister Margaret Freeman Foundation. Based on the terms of the investment, the invested amount, as well as the match provided, will never be returned to the Sister Margaret Freeman Foundation. The initial investment is reported as net assets with donor restrictions and the year-end value in excess of the initial investment is reported in net assets without restrictions. The 30% match received is not reported in the Free Clinic's consolidated financial statements.

In 2016, the Free Clinic received a pledge from a donor which created a \$1,000,000 endowment. This endowment receivable has been reported as net assets with donor restrictions. During fiscal 2019, \$200,000 of this endowment pledge receivable was collected and used to fund the Food Bank Endowment leaving \$800,000 remaining in the Rothman Endowment.

In 2019, the Beth Houghton Leadership Endowment was created and funded by several contributions in the total amount of \$20,600.

NOTE O - ENDOWMENT FUND

The Free Clinic's endowment consists of the donor-restricted funds in **NOTE N** and one board designated investment fund established for the purpose of providing a continuous source of income for the Free Clinic. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

**ST. PETERSBURG FREE CLINIC, INC.
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NOTE O - ENDOWMENT FUND - CONTINUED

Endowment net asset composition by type of fund as of September 30, 2019 and 2018:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Summary of Endowment Assets September 30, 2019:			
Donor-restricted endowment	\$ -	\$ 1,238,200	\$ 1,238,200
Board-designated funds	<u>1,922,823</u>	<u>-</u>	<u>1,922,823</u>
	<u>\$ 1,922,823</u>	<u>\$ 1,238,200</u>	<u>\$ 3,161,023</u>
Summary of Endowment Assets September 30, 2018:			
Donor-restricted endowment	\$ -	\$ 1,217,600	\$ 1,217,600
Board-designated funds	<u>1,786,234</u>	<u>-</u>	<u>1,786,234</u>
	<u>\$ 1,786,234</u>	<u>\$ 1,217,600</u>	<u>\$ 3,003,834</u>

Changes in endowment net assets for the years ended September 30, 2019 and 2018 consist of the following:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Changes in Endowment Net Assets for the year ended September 30, 2019:			
Endowment net assets, beginning	\$ 1,786,234	\$ 1,217,600	\$ 3,003,834
Investments return:			
Investment income	46,495	-	46,495
Net appreciation (realized and unrealized)	<u>27,094</u>	<u>-</u>	<u>27,094</u>
Total investment return	<u>73,589</u>	<u>-</u>	<u>73,589</u>
Contributions	100,000	20,600	120,600
Distributions	<u>(37,000)</u>	<u>-</u>	<u>(37,000)</u>
Total funds	<u>\$ 1,922,823</u>	<u>\$ 1,238,200</u>	<u>\$ 3,161,023</u>

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NOTE O - ENDOWMENT FUND - CONTINUED

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Changes in Endowment Net Assets for the year ended September 30, 2018:			
Endowment net assets, beginning	\$ 1,701,656	\$ 1,217,600	\$ 2,919,256
Investments return:			
Investment income	43,504	-	43,504
Net appreciation (realized and unrealized)	<u>95,589</u>	<u>-</u>	<u>95,589</u>
Total investment return	<u>139,093</u>	<u>-</u>	<u>139,093</u>
Distributions	<u>(54,515)</u>	<u>-</u>	<u>(54,515)</u>
Total funds	<u>\$ 1,786,234</u>	<u>\$ 1,217,600</u>	<u>\$ 3,003,834</u>

Return Objectives, Risk Parameters, and Strategies

The Free Clinic has adopted an investment and spending policy for endowment assets that attempts to preserve the real (inflation adjusted) value of endowment assets, increase the real value of the portfolio and facilitate a potential distribution to support some level of future operations. Endowment assets include those assets of donor-restricted funds that the Free Clinic must hold in perpetuity or for a donor-specified period(s). These objectives are met for funds held with the Community Foundation of Tampa Bay and Pinellas Community Foundation through the control of each of those Community Foundations (see **NOTES F AND N**). The Sister Margaret Freeman Foundation Board (the Foundation Board) serves as the Investment Committee for all other endowment funds. The terms of the operating policies of the endowment fund (the Fund) requires that the Fund will be managed by the Investment Committee. The Investment Committee is responsible to oversee the portfolio's investments and monitor the investments on an ongoing basis to ensure that long-term objectives are being met. The Investment Committee has agreed to a target asset allocation for the portfolio's assets and seeks advice from professional investment managers which hold the assets. The Fund is to invest funds in accordance with the standards set forth in the Foundation Board's investment policy.

Spending Policy

The Foundation Board is operating under an approved endowment policy that seeks to preserve the purchasing power of the Fund while providing income at the highest attainable level. The endowment fund may distribute income and dividends. Under Florida UPMIFA capital gains may also be distributed. Investment earnings and capital gains are accumulated in net assets without donor restrictions. There is to be no invasion of the original principal of the gift given to the Free Clinic unless the donor instructs otherwise.

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NOTE P - FAIR VALUE OF FINANCIAL INSTRUMENTS

The Free Clinic's investments are reported at fair value in the accompanying consolidated statements of financial position. Following is a description of valuation methodologies used for investments measured at fair value.

Money Market - Valued at the net asset value of shares held by the Free Clinic at year-end.

Mutual funds - Valued at the net asset value of shares held by the Free Clinic at year-end based on quoted prices of the various funds in active markets.

Certificate of Deposit - Valued at face value plus accrued interest which approximates fair value.

Beneficial interest in assets held by others - The investments are managed by an unrelated third party and are valued based upon the third-party information without adjustment. The Free Clinic does not develop nor are they provided with the quantitative inputs used to develop the fair market values.

The fair values of assets measured on a recurring basis at September 30, 2019 are as follows:

	<u>Fair Value Measurements at Reporting Date Using</u>			
	Assets Measured at Fair Value at September 30, 2019	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market funds	\$ 123,285	\$ 123,285	\$ -	\$ -
Mutual funds	1,968,661	1,968,661	-	-
Certificate of deposit	214,322	-	214,322	-
Beneficial interest in assets held by others	391,809	-	-	391,809
	<u>\$ 2,698,077</u>	<u>\$ 2,091,946</u>	<u>\$ 214,322</u>	<u>\$ 391,809</u>

**ST. PETERSBURG FREE CLINIC, INC.
AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018**

NOTE P - FAIR VALUE OF FINANCIAL INSTRUMENTS - CONTINUED

The fair values of assets measured on a recurring basis at September 30, 2018 are as follows:

	<u>Fair Value Measurements at Reporting Date Using</u>			
	Assets Measured at Fair Value at September 30, 2018	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market funds	\$ 95,327	\$ 95,327	\$ -	\$ -
Mutual funds	1,834,001	1,834,001	-	-
Certificate of deposit	210,651	-	210,651	-
Beneficial interest in assets held by others	172,353	-	-	172,353
	<u>\$ 2,312,332</u>	<u>\$ 1,929,328</u>	<u>\$ 210,651</u>	<u>\$ 172,353</u>

The following is a summary of changes in the fair value of the Free Clinic's Level 3 assets for the years ended September 30:

	<u>2019</u>	<u>2018</u>
Balance, October 1	\$ 172,353	\$ 172,718
Contributions	221,100	-
Grants	(2,652)	(2,990)
Investment income, net	<u>1,008</u>	<u>2,625</u>
Balance, September 30	<u>\$ 391,809</u>	<u>\$ 172,353</u>

NOTE Q - CORRECTION OF AN ERROR

During fiscal 2019, management determined there was an error in reporting accrued paid time off in prior fiscal years. The error resulted in the overstatement of accrued payroll and benefits and an understatement of net assets without donor restrictions of \$79,257 at September 30, 2018. The change in net assets without donor restrictions was overstated by \$17,990 for the fiscal year ended September 30, 2018. Beginning net assets without donor restrictions for fiscal year 2018 was understated by \$97,247. Accrued payroll and benefits, salaries expense and net assets without donor restrictions have been adjusted in the accompanying consolidated financial statements to reflect the correction of this error.

NOTE R - SUBSEQUENT EVENTS

The Free Clinic has evaluated all subsequent events through March 23, 2020, the date the consolidated financial statements were available to be issued. The Free Clinic is not aware of any subsequent events which would require recognition or disclosure in the consolidated financial statements.