

St. Petersburg Free Clinic, Inc. and Affiliate

Consolidated Financial Statements

September 30, 2020 and 2019



**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, 2020 and 2019, 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.

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, 2020 and 2019, 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.

PDR CPAs + ADVISORS

Oldsmar, Florida
February 22, 2021

**ST. PETERSBURG FREE CLINIC, INC.
AND AFFILIATE
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2020 AND 2019**

<u>ASSETS</u>		
	2020	2019
Cash and cash equivalents	\$ 4,488,639	\$ 3,191,497
Grants receivable	412,560	366,179
Bequests receivable	3,022,772	90,714
Promises to give, net	1,517,510	2,190,692
Inventory	326,840	355,220
Prepaid expenses and other assets	57,255	114,146
Investments	2,183,725	2,306,268
Beneficial interest in assets held by others	483,696	391,809
Property and equipment, net	10,028,904	9,726,662
Construction in progress	838,605	363,271
Total Assets	\$ 23,360,506	\$ 19,096,458
<u>LIABILITIES AND NET ASSETS</u>		
Liabilities		
Accounts payable and other accrued expenses	\$ 294,165	\$ 293,531
Accrued payroll and benefits	299,418	253,529
Deferred revenue	285,590	-
Annuity obligations	94,852	89,820
Note payable	486,650	-
Total liabilities	1,460,675	636,880
Net assets		
Without donor restrictions:		
Operating	117,798	34,828
Property and equipment	10,867,509	10,089,933
Board designated for endowment	2,003,191	1,922,823
Board designated for Men's Residence	715,487	715,487
Total net assets without donor restrictions	13,703,985	12,763,071
With donor restrictions	8,195,846	5,696,507
Total net assets	21,899,831	18,459,578
Total Liabilities and Net Assets	\$ 23,360,506	\$ 19,096,458

See notes to consolidated financial statements

**ST. PETERSBURG FREE CLINIC, INC.
AND AFFILIATE
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2020
(WITH COMPARATIVE TOTALS FOR 2019)**

	Without Donor Restrictions	With Donor Restrictions	Total	
			2020	2019
Public Support and Revenue				
Contributions	\$ 3,146,031	\$ -	\$ 3,146,031	\$ 2,226,093
Grants and restricted gifts	560,005	2,599,639	3,159,644	2,058,550
Special events, net of direct expense	-	-	-	463,771
Bequests	89,801	3,022,772	3,112,573	828,345
In-kind revenue				
Services	246,357	-	246,357	294,703
Food	26,863,110	-	26,863,110	18,327,360
Investment income	201,663	7,087	208,750	128,233
Net assets released from restrictions	3,130,159	(3,130,159)	-	-
Total public support and revenue	34,237,126	2,499,339	36,736,465	24,327,055
Expenses				
Program services				
Health Center	1,512,015	-	1,512,015	1,380,319
Jared S. Hechtkopf Community Food Bank	20,459,301	-	20,459,301	15,598,832
We Help Services	8,412,580	-	8,412,580	3,835,781
Baldwin Women's Residence	860,379	-	860,379	800,966
Family Residence	441,773	-	441,773	422,349
Men's Residence	387,453	-	387,453	366,683
Total program services	32,073,501	-	32,073,501	22,404,930
Support services				
General and administrative	436,161	-	436,161	408,530
Fundraising	786,550	-	786,550	676,666
Total support services	1,222,711	-	1,222,711	1,085,196
Total expenses	33,296,212	-	33,296,212	23,490,126
Change in Net Assets	940,914	2,499,339	3,440,253	836,929
Net Assets, Beginning of Year	12,763,071	5,696,507	18,459,578	17,622,649
Net Assets, End of Year	\$ 13,703,985	\$ 8,195,846	\$ 21,899,831	\$ 18,459,578

See notes to consolidated financial statements

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

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Public Support and Revenue			
Contributions	\$ 2,226,093	\$ -	\$ 2,226,093
Grants and contract revenue	-	2,058,550	2,058,550
Special events, net of \$129,047 in direct expense	463,771	-	463,771
Bequests	737,631	90,714	828,345
In-kind revenue:			
Services	294,703	-	294,703
Food	18,327,360	-	18,327,360
Investment income	128,233	-	128,233
Net assets released from restrictions	1,712,710	(1,712,710)	-
Total public support and revenue	23,890,501	436,554	24,327,055
Expenses			
Program services			
Health Center	1,380,319	-	1,380,319
Jared S. Hechtkopf Community Food Bank	15,598,832	-	15,598,832
We Help Services	3,835,781	-	3,835,781
Baldwin Women's Residence	800,966	-	800,966
Family Residence	422,349	-	422,349
Men's Residence	366,683	-	366,683
Total program services	22,404,930	-	22,404,930
Support services			
General and administrative	408,530	-	408,530
Fundraising	676,666	-	676,666
Total support services	1,085,196	-	1,085,196
Total expenses	23,490,126	-	23,490,126
Change in Net Assets	400,375	436,554	836,929
Net Assets, Beginning of Year	12,362,696	5,259,953	17,622,649
Net Assets, End of Year	\$ 12,763,071	\$ 5,696,507	\$ 18,459,578

See notes to consolidated financial statements

**ST. PETERSBURG FREE CLINIC, INC.
AND AFFILIATE
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	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	\$ 737,475	\$ 366,244	\$ 342,104	\$ 385,155	\$ 170,697	\$ 202,184	\$ 2,203,859
Payroll taxes and employee benefits	83,145	38,347	49,027	52,631	28,063	27,013	278,226
Total salaries and related expenses	820,620	404,591	391,131	437,786	198,760	229,197	2,482,085
Other expenses							
Advertising	7,731	6,115	6,115	6,115	6,115	6,115	38,306
Bank charges	-	-	1,229	-	-	-	1,229
Computer expenses	79,253	18,812	23,773	36,979	20,009	30,858	209,684
Contract services	-	-	-	-	-	-	-
Direct assistance	7,537	143,231	528,616	5,358	8,075	4,601	697,418
Dues and subscriptions	10,339	-	-	-	-	97	10,436
Fees and licenses	8,507	596	1,793	4,042	194	777	15,909
Food	-	19,500,866	7,252,842	88,285	54,226	33,129	26,929,348
Insurance	21,523	12,930	16,730	30,014	9,427	6,864	97,488
Legal and professional	14,001	7,789	8,721	11,203	4,414	5,077	51,205
Maintenance and repairs	35,067	23,806	23,285	29,776	24,224	9,385	145,543
Occupancy	34,786	22,535	43,385	71,377	42,852	34,342	249,277
Other	-	-	-	-	-	-	-
Postage and printing	4,400	1,025	14,697	1,233	912	1,217	23,484
Supplies	322,757	15,798	46,383	25,982	19,073	9,505	439,498
Small equipment and furniture	16,941	9,036	8,332	5,981	5,613	1,402	47,305
Training	3,071	1,062	3,050	1,008	499	968	9,658
Transportation	2,271	67,633	2,445	6,747	5,043	6,881	91,020
Depreciation	123,211	223,476	40,053	98,493	42,337	7,038	534,608
Total other expenses	691,395	20,054,710	8,021,449	422,593	243,013	158,256	29,591,416
Total expenses	\$ 1,512,015	\$ 20,459,301	\$ 8,412,580	\$ 860,379	\$ 441,773	\$ 387,453	\$ 32,073,501

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, 2020**

	Support Services		Total Support Services	Total Expenses
	General and Administrative	Fundraising		
Salaries and related expenses				
Salaries	\$ 231,512	\$ 466,164	\$ 697,676	\$ 2,901,535
Payroll taxes and employee benefits	75,876	61,250	137,126	415,352
Total salaries and related expenses	307,388	527,414	834,802	3,316,887
Other expenses				
Advertising	-	9,872	9,872	48,178
Bank charges	11,577	22,921	34,498	35,727
Computer expenses	40,014	27,226	67,240	276,924
Contract services	-	20,256	20,256	20,256
Direct assistance	-	-	-	697,418
Dues and subscriptions	1,490	11,646	13,136	23,572
Fees and licenses	12,413	18,152	30,565	46,474
Food	-	-	-	26,929,348
Insurance	6,412	7,561	13,973	111,461
Legal and professional	9,467	19,240	28,707	79,912
Maintenance and repairs	8,656	6,079	14,735	160,278
Occupancy	11,857	10,462	22,319	271,596
Other	2	263	265	265
Postage and printing	5,173	40,625	45,798	69,282
Supplies	7,097	44,675	51,772	491,270
Small equipment and furniture	1,437	745	2,182	49,487
Training	850	5,645	6,495	16,153
Transportation	208	1,648	1,856	92,876
Depreciation	12,120	12,120	24,240	558,848
Total other expenses	128,773	259,136	387,909	29,979,325
Total expenses	\$ 436,161	\$ 786,550	\$ 1,222,711	\$ 33,296,212

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	<u>689,825</u>	<u>334,910</u>	<u>227,242</u>	<u>354,664</u>	<u>167,081</u>	<u>207,773</u>	<u>1,981,495</u>
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	-	12,217	476,388
Dues and subscriptions	5,565	178	1,352	78	83	78	7,334
Fees and licenses	7,638	823	771	3,496	20	1,334	14,082
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	<u>690,494</u>	<u>15,263,922</u>	<u>3,608,539</u>	<u>446,302</u>	<u>255,268</u>	<u>158,910</u>	<u>20,423,435</u>
Total expenses	<u>\$ 1,380,319</u>	<u>\$ 15,598,832</u>	<u>\$ 3,835,781</u>	<u>\$ 800,966</u>	<u>\$ 422,349</u>	<u>\$ 366,683</u>	<u>\$ 22,404,930</u>

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**

	Support Services		Total Support Services	Total Expenses
	General and Administrative	Fundraising		
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	-	-	-	476,388
Dues and subscriptions	1,862	6,712	8,574	15,908
Fees and licenses	6,808	18,136	24,944	39,026
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 STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
Cash Flows from Operating Activities:		
Change in net assets	\$ 3,440,253	\$ 836,929
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	558,848	466,643
Realized gains on investments	(312,590)	-
Unrealized loss (gain) on investments	199,965	(29,034)
Change in value of beneficial interest in assets held by others	(91,887)	(219,456)
(Increase) decrease in operating assets:		
Grants receivable	(46,381)	26,170
Bequests receivable	(2,932,058)	91,817
Unconditional promises to give, net	673,182	467,217
Inventory	28,380	(219,040)
Prepaid expenses and other assets	56,891	16,936
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	634	167,928
Accrued payroll and benefits	45,889	51,676
Deferred revenue	285,590	-
Annuity obligations	5,032	9,557
Net cash provided by operating activities	<u>1,911,748</u>	<u>1,667,343</u>
Cash Flows from Investing Activities:		
Purchases of property and equipment	(497,819)	(372,991)
Purchases of construction in progress	(838,605)	(363,271)
Proceeds from sale of investments	1,966,460	94,547
Purchases of investments	(1,731,292)	(231,802)
Net cash used in investing activities	<u>(1,101,256)</u>	<u>(873,517)</u>
Cash Flows from Financing Activities:		
Proceeds from note payable	486,650	-
Net cash provided by financing activities	<u>486,650</u>	<u>-</u>
Net Increase in Cash and Cash Equivalents	1,297,142	793,826
Cash and Cash Equivalents at Beginning of Year	<u>3,191,497</u>	<u>2,397,671</u>
Cash and Cash Equivalents at End of Year	<u>\$ 4,488,639</u>	<u>\$ 3,191,497</u>
Supplemental Cash Flow Information:		
Contributed services	<u>\$ 246,357</u>	<u>\$ 294,703</u>
Contributed food and supplies	<u>\$ 26,863,110</u>	<u>\$ 18,327,360</u>

See notes to consolidated financial statements

**ST. PETERSBURG FREE CLINIC, INC.
AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

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 through a combination of volunteer providers and paid staff, including a full-time nurse practitioner, a full-time health educator, and a full-time nurse coordinator. Available services in addition to primary care, 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 2020 and 2019, the Free Clinic Health Center provided over 5,924 and 5,900 points of services, respectively, and filled prescriptions valued at \$1.8 million and \$1.2 million, respectively. Due to the COVID-19 pandemic, services at the Health Center were temporarily halted, to ensure the safety of staff and patients. Services resumed but at a decreased capacity, to allow spacing of patients and due to a decrease in volunteer physicians.

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 and other dental services. Volunteer dentists, dental assistants, and dental hygienists, as well as a small number of paid professionals, provide care to patients through clinics that are hosted multiple times per month. The Free Clinic Dental Clinic assisted 433 and 780 patients with 1,048 and 1,425 procedures for the fiscal years 2020 and 2019, respectively. Due to the COVID-19 pandemic, services at the Dental Clinic were temporarily halted, to ensure the safety of staff and patients. When proper protective equipment was obtained, services resumed.

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 between 50 and 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 15.4 million and 11.3 million pounds of food for fiscal years 2020 and 2019, respectively. Over 70% of the food distributed through Jared's Food Bank is fresh produce, protein and dairy

**ST. PETERSBURG FREE CLINIC, INC.
AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

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 299,000 and 201,600 services to approximately 159,000 and 71,300 clients for fiscal years 2020 and 2019, respectively. The onset of the COVID-19 pandemic in March, 2020 resulted in demand more than doubling.

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 117 and 130 women for fiscal years 2020 and 2019, respectively. Due to COVID-19 safety protocols, Baldwin Women's Residence temporarily halted new intakes to ensure each resident had a private room. Despite the pandemic, supportive services continued for all residents.

Free Clinic Family Residence

In February 2013, the Free Clinic acquired property for the purpose of better serving homeless families. The Residence provided 60 and 100 families with transitional shelter for fiscal years 2020 and 2019, 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. Due to COVID-19, the Family Residence temporarily halted new intakes to ensure the safety of residents housed when the pandemic began. The property that housed families fell into disrepair and the program was relocated to the 28th St property that previously housed the Men's Residence. That residence had a capacity to house 9 families, as opposed to the 14 families housed at the previous location.

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 41 and 61 homeless men for fiscal years 2020 and 2019, respectively. Due to COVID-19 safety protocols, the Men's Residence temporarily halted new intakes to ensure each resident had a private room. Due to facility issues with the Family Residence, this program was temporarily relocated to the property that previously housed the Family Residence, decreasing program capacity to 6 residents, down from a previous capacity of 28 residents at its former location.

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, 2020 and 2019 are included in these consolidated financial statements. All significant intercompany balances and transactions are eliminated in consolidation.

**ST. PETERSBURG FREE CLINIC, INC.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

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.

Measure of Operations

The consolidated 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.

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.

Investments

Investments in debt and equity securities and mutual funds are stated at fair market value in the consolidated 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.

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NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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 fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

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 more than federally insured limits. From time to time throughout the years ended September 30, 2020 and 2019, 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.

Grants Receivable

Grants receivable are stated at the amount management expects to collect from outstanding balances. Management monitors the collection of its receivable balances on an ongoing basis. The Free Clinic provides for probable uncollectible amounts through a charge to earnings and a credit to the allowance for doubtful accounts when, in management's estimation, it is probable that the receivable is not collectible. The Free Clinic has determined that all amounts are collectible; accordingly no allowance for potentially uncollectible accounts has been recorded at September 30, 2020 and 2019.

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 more than \$2,500 with an estimated useful life more than 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.

Inventory

Inventory consists of donated and purchased food and supplies. Donated food and supplies are recorded and carried in inventory at their estimated fair value at date of receipt. Purchased food and supplies are valued at the lower of cost or net realizable value with cost being determined by the first in, first-out method.

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NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Revenue Recognition

Grants and Contributions - The Free Clinic reports grants and contributions that are restricted by the donor as increases in net assets with donor restrictions. 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. All other donor restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions.

Certain grants, including cost reimbursement contracts, are considered conditional contributions since the grant agreements require the Free Clinic to perform services, incur expenses or meet contract objectives to earn the grant funding. Revenue under these contracts is deferred until earned. Revenue is earned and recognized in the consolidated financial statements when eligible expenses are incurred, services performed, or grant objectives met.

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 Free Clinic has determined that all amounts are collectible; accordingly no allowance for potentially uncollectible accounts has been recorded at September 30, 2020 and 2019.

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 \$246,000 and \$295,000 for the years ended September 30, 2020 and 2019, respectively.

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 1.23% to 1.26%. 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.

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NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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.

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.

New Accounting Pronouncement

In June 2018, the Financial Accounting Standards Board issued Accounting Standards Update 2018-08, No-for-Profit Entities (Topic 958) – *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The update provides a more robust framework for determining whether a transaction should be accounted for as an exchange transaction. The guidance also helps determine whether a contribution is conditional and better distinguishes a donor-imposed condition from a donor-imposed restriction. The Free Clinic adopted ASU 2018-08 effective October 1, 2019 and determined that the adoption did not result in a material change to how it accounts for revenue from contributions and grants.

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.

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

At September 30, 2020 and 2019, the Free Clinic's financial assets available to meet general expenditures within one year were as follows:

	2020	2019
Financial Assets:		
Cash and cash equivalents	\$ 4,488,639	\$ 3,191,497
Grants receivable	412,560	366,179
Bequests receivable	3,022,772	90,714
Promises to give	1,517,510	2,190,692
Investments	2,183,725	2,306,268
Beneficial interest in assets held by others	483,696	391,809
Total financial assets	12,108,902	8,537,159
Less amounts unavailable for general expenditure within one year due to:		
Contractual or donor imposed restrictions:		
Reserve, charitable gift annuities	(180,534)	(169,123)
Internally controlled endowments	(650,000)	(850,000)
Externally controlled endowments	(483,696)	(391,809)
Contributions with donor restrictions	(2,553,972)	(2,469,437)
Promises to give with donor restrictions	(917,510)	(1,390,692)
Total contractual or donor-imposed restrictions	(4,785,712)	(5,271,061)
Board designations:		
Net assets designated for endowment	(2,003,191)	(1,922,823)
Net assets designated for Men's Residence	(715,487)	(715,487)
Total board designations	(2,718,678)	(2,638,310)
Financial assets available to meet general expenditures within one year	\$ 4,604,512	\$ 627,788

NOTE D - 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, 2020 and 2019 are \$3,022,772 and \$90,714, respectively.

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

Unconditional promises to give at September 30, 2020 and 2019 are summarized as follows:

	<u>2020</u>	<u>2019</u>
Gross unconditional promises to give	\$ 1,590,331	\$ 2,286,048
Less unamortized discount	(72,821)	(95,356)
Net unconditional promises to give	<u>\$ 1,517,510</u>	<u>\$ 2,190,692</u>
Amount due in:		
Less than one year	\$ 888,249	\$ 944,048
One to five years	702,082	1,342,000
	<u>\$ 1,590,331</u>	<u>\$ 2,286,048</u>

Unconditional promises to give at September 30, 2020 include pledges from two donors totaling approximately \$1.4 million or 85% of total unconditional promises to give. Amounts due from the same two donors totaled \$1.9 million or 84% of total unconditional promises to give on September 30, 2019. 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 F - PROPERTY AND EQUIPMENT AND CONSTRUCTION IN PROGRESS

Property and equipment consist of the following on September 30:

	<u>2020</u>	<u>2019</u>
Land	\$ 1,774,435	\$ 1,774,435
Building and improvements	8,610,826	8,285,939
Furniture and equipment	1,414,856	878,652
Vehicles	549,861	549,861
	<u>12,349,978</u>	<u>11,488,887</u>
Less accumulated depreciation	(2,321,074)	(1,762,225)
	<u>\$ 10,028,904</u>	<u>\$ 9,726,662</u>

Depreciation expense was \$558,848 and \$466,643 for the years ended September 30, 2020 and 2019, respectively.

Construction in progress at September 30, 2020 and 2019 was \$838,605 and \$363,271, 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. During the year ended September 30, 2020, part of the renovation was completed and \$363,271 was transferred from construction in progress to property and equipment. Depreciation will commence on the remainder of the construction in progress when the renovations are completed and placed in service.

**ST. PETERSBURG FREE CLINIC, INC.
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NOTE G - INVESTMENTS

The Free Clinic's investments consist of the following at September 30, 2020 and 2019:

	2020		2019	
	Cost	Market	Cost	Market
Money market funds	\$ 56,915	\$ 56,915	\$ 123,285	\$ 123,285
US equities	985,221	1,072,226	721,072	1,023,134
International equities	302,176	329,391	186,566	209,367
Fixed income	683,256	725,193	707,584	736,160
Certificate of deposit	-	-	214,322	214,322
	<u>\$ 2,027,568</u>	<u>\$ 2,183,725</u>	<u>\$ 1,952,829</u>	<u>\$ 2,306,268</u>

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

	2020	2019
Interest and dividends	\$ 96,125	\$ 99,199
Realized gains	312,590	-
Unrealized gains (losses)	(199,965)	29,034
Total investment return	<u>\$ 208,750</u>	<u>\$ 128,233</u>

NOTE H - 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.

US and international equities - Values are based on unadjusted quoted prices for identical assets in an active market the Free Clinic can access. As of September 30, 2020, these investments consisted of mutual funds and individual equity securities. As of September 30, 2019, these investments consisted of only mutual funds.

Fixed income - For fixed income mutual funds, values are based on unadjusted quoted prices for identical assets in an active market the Free Clinic can access. For investments in individual bonds and similar securities, inputs to the valuation methodologies include (1) quoted prices for similar assets in active markets; (2) quoted prices for identical or similar assets in inactive markets; (3) inputs other than quoted prices that are observable for the asset; (4) inputs that are derived principally from or corroborated by observable market data by correlation or other means.

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.

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NOTE H - FAIR VALUE OF FINANCIAL INSTRUMENTS - CONTINUED

The fair values of assets measured on a recurring basis at September 30, 2020 are as follows:

	Fair Value Measurements at Reporting Date Using			
	Assets Measured at Fair Value at September 30, 2020	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market funds	\$ 56,915	\$ 56,915	\$ -	\$ -
US equities	1,072,226	1,072,226	-	-
International equities	329,391	329,391	-	-
Fixed income	725,193	198,448	526,745	-
Beneficial interest in assets held by others	483,696	-	-	483,696
	\$ 2,667,421	\$ 1,656,980	\$ 526,745	\$ 483,696

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

	Fair Value Measurements at Reporting Date Using			
	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	\$ -	\$ -
US equities	1,023,134	1,023,134	-	-
International equities	209,367	209,367	-	-
Fixed income	736,160	736,160	-	-
Certificate of deposit	214,322	-	214,322	-
Beneficial interest in assets held by others	391,809	-	-	391,809
	\$ 2,698,077	\$ 2,091,946	\$ 214,322	\$ 391,809

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:

	2020	2019
Balance, October 1	\$ 391,809	\$ 172,353
Contributions	91,375	221,100
Grants	(2,966)	(2,652)
Investment income, net	3,478	1,008
	\$ 483,696	\$ 391,809

**ST. PETERSBURG FREE CLINIC, INC.
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NOTE I - BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS

On September 30, 2020 and 2019, the Free Clinic has beneficial interests in assets held by the Community Foundation of Tampa Bay (the Community Foundation) of \$368,696 and \$276,809, respectively. These beneficial interests include the Food Bank Endowment, the Beth A. Houghton Leadership Endowment, and a general endowment. During the years ended September 30, 2020 and 2019, \$91,375 and \$220,600, respectively, of new gifts were contributed to these accounts by the Free Clinic. Since these funds were transferred to the Community Foundation by the Free Clinic and the Free Clinic is the named beneficiary, these amounts are included in the accompanying consolidated statements of financial position.

In addition, at September 30, 2020 and 2019, the Community Foundation of Tampa Bay was holding balances of approximately \$151,000 and \$46,600, respectively, representing contributions made directly to the Community Foundation for the benefit of the Free Clinic and matching funds for the Food Bank Endowment and Beth A. Houghton Leadership Endowment. 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 and matching endowment funds are not considered to be an asset of the Free Clinic and have not been reported in the accompanying consolidated statements of financial position.

In 2012, the Sister Margaret Freeman Foundation invested \$115,000 with the Pinellas Community Foundation as 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 accompanying consolidated financial statements. As of September 30, 2020 and 2019, this endowment, including the 30% match, was valued at approximately \$153,000 and \$154,300, respectively. The portion invested by the Sister Margaret Freeman Foundation is included with beneficial interest in assets held by others on the accompanying consolidated statements of financial position.

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, 2020 and 2019 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 exceed the required reserves and surplus.

NOTE K - DONATED FOOD AND MEDICINE

During the years ended September 30, 2020 and 2019, the Free Clinic received approximately 15.4 million and 11.3 million pounds of donated food, respectively. The donated food is estimated to be valued at \$1.74 a pound for fiscal year 2020 and \$1.62 a pound for fiscal year 2019, which amounts to approximately \$26,900,000 and \$18,300,000, 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.

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NOTE K - DONATED FOOD AND MEDICINE - CONTINUED

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 – NOTE PAYABLE

In April 2020, the Free Clinic received a loan under the Paycheck Protection Program (PPP) in the amount of \$486,650. The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act), provides loans to qualifying entities. The loan and accrued interest are forgivable if the loan proceeds are used for qualifying expenses as described in the CARES Act. The loan accrues interest at 1% and was originally payable in eighteen monthly installments of principal and interest commencing seven months after the loan date if the loan, in whole or in part, was not forgiven under the provisions of the PPP. The loan is a program of the U.S. Small Business Administration (SBA) and is administered by the Free Clinic's bank (lender).

In June 2020, the Paycheck Protection Program Flexibility Act was enacted which extended the deferral period for payments of principal, interest, and fees on PPP loans. The revised deferral period includes the loan forgiveness covered period which can be up to 24 weeks plus an additional ten months. If any portion of the PPP loan is not forgiven, repayment of the unforgiven portion will commence after the SBA notifies the lender of the unforgiven loan amount and remits the forgiven loan amount to the lender. If the Free Clinic elects not to apply for forgiveness, repayment of the loan will commence ten months after the end of the Free Clinic's loan forgiveness covered period.

The Free Clinic currently intends to use the entire loan amount for qualifying expenses and apply for forgiveness of the entire loan. It is not possible, as of the date of these consolidated financial statements, to determine with certainty that the loan, in whole or in part, will be eligible for forgiveness. The timing of the repayment of any unforgiven loan amount is subject to several factors as described above and Management has deemed forgiveness to be probable. Accordingly, the Free Clinic has included the entire loan amount as a long-term liability in the accompanying consolidated statements of financial position.

NOTE M - OPERATING LEASE

The Free Clinic has operating leases for parking space and office equipment. Total rent expense for these leases was approximately \$22,000 and \$17,000 for the years ended September 30, 2020 and 2019, respectively. The approximate future minimum lease payments required under these operating leases at September 30, 2020 are as follows:

Years Ending September 30,	Amount
2021	\$ 21,577
2022	21,577
2023	15,991
2024	12,000
2025	12,000
Thereafter	3,000
	\$ 86,145

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NOTE N - 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 2020 and 2019 was approximately \$43,800 and \$105,800, respectively.

NOTE O - FOUNDATION

The Sister Margaret Freeman Foundation, Inc.'s net assets as of September 30, 2020 and 2019 consisted of the following:

	<u>2020</u>	<u>2019</u>
Without donor restrictions, undesignated	\$ 41,741	\$ 32,696
Board designated for endowment purposes	2,003,191	1,922,823
With donor restrictions	<u>115,000</u>	<u>115,000</u>
	<u>\$ 2,159,932</u>	<u>\$ 2,070,519</u>

NOTE P - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of September 30, 2020 and 2019 relate to assets contributed by donors and other funding sources for specific purposes and time periods as follows:

	<u>2020</u>	<u>2019</u>
Subject to time restrictions:		
Bequests receivable	\$ 3,022,772	\$ 90,714
Subject to use restrictions:		
Donated property	228,288	228,288
Grants and restricted gifts	2,893,580	2,748,613
Promises to give	<u>917,510</u>	<u>1,390,692</u>
	4,039,378	4,367,593
Net assets held in perpetuity:		
Tampa Bay Community Foundation	55,670	52,600
Pinellas County Community Foundation	115,000	115,000
Beth A. Houghton Leadership Endowment	112,368	20,600
Food Bank Endowment	200,658	200,000
Founders Endowment	50,000	50,000
Rothman Endowment Receivable	<u>600,000</u>	<u>800,000</u>
	<u>1,133,696</u>	<u>1,238,200</u>
	<u>\$ 8,195,846</u>	<u>\$ 5,696,507</u>

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NOTE P - NET ASSETS WITH DONOR RESTRICTIONS - CONTINUED

Net assets were released from restrictions as follows during the years ended September 30, 2020 and 2019, by incurring expenses satisfying the restricted purposes, or by occurrence of other events specified by donors:

	2020	2019
Bequests receivable	\$ 90,714	\$ 182,531
Grants and restricted gifts	2,343,728	1,159,569
Project pledges	695,717	370,610
	\$ 3,130,159	\$ 1,712,710

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. The Free Clinic will receive periodic distributions from this account in accordance with the investment agreement. The fair value of the investment is included in net assets held in perpetuity.

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 original \$115,000 investment is included in net assets held in perpetuity. 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 as of September 30, 2019. During fiscal 2020, the donor amended the original gift and directed that \$200,000 of the remaining \$800,000 Rothman Endowment be used for program support in fiscal 2021 leaving \$600,000 in the Rothman Endowment as of September 30, 2020.

In 2019, the Beth A. Houghton Leadership Endowment was created and funded by several contributions in the total amount of \$20,600. In 2020, an additional \$91,375 of contributions were added to this endowment.

NOTE Q - ENDOWMENT FUND

The Free Clinic's endowment consists of the donor-restricted funds in **NOTE P** 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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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE Q - ENDOWMENT FUND - CONTINUED

Endowment net asset composition by type of fund as of September 30, 2020 and 2019:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Summary of Endowment Assets September 30, 2020:			
Donor-restricted endowment	\$ -	\$ 1,133,696	\$ 1,133,696
Board-designated funds	<u>2,003,191</u>	<u>-</u>	<u>2,003,191</u>
	<u>\$ 2,003,191</u>	<u>\$ 1,133,696</u>	<u>\$ 3,136,887</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>

Changes in endowment net assets for the years ended September 30, 2020 and 2019 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, 2020:			
Endowment net assets, beginning	\$ 1,922,823	\$ 1,238,200	\$ 3,161,023
Investments return:			
Investment income	48,837	5,127	53,964
Net appreciation (realized and unrealized)	<u>104,821</u>	<u>1,960</u>	<u>106,781</u>
Total investment return	<u>153,658</u>	<u>7,087</u>	<u>160,745</u>
Contributions	-	91,375	91,375
Distributions	(73,290)	(2,966)	(76,256)
Modification of restriction by donor	<u>-</u>	<u>(200,000)</u>	<u>(200,000)</u>
Total funds	<u>\$ 2,003,191</u>	<u>\$ 1,133,696</u>	<u>\$ 3,136,887</u>

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NOTE Q - 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, 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)	27,094	-	27,094
Total investment return	73,589	-	73,589
Contributions	100,000	20,600	120,600
Distributions	(37,000)	-	(37,000)
Total funds	<u>\$ 1,922,823</u>	<u>\$ 1,238,200</u>	<u>\$ 3,161,023</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 I AND P**). 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 R - CONTINGENCIES

The Free Clinic receives significant support from grantor agencies for its programs under cost reimbursement agreements. The Free Clinic is subject to audit examination by grantor agencies. If reimbursed expenditures are disallowed, repayments could be required.

On January 30, 2020, the World Health Organization (WHO) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the COVID-19 outbreak) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Free Clinic's financial condition, liquidity, and future results of operations. Management is actively monitoring the situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Free Clinic is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for the year ended September 30, 2021.

NOTE S - SUBSEQUENT EVENTS

The Free Clinic has evaluated all subsequent events through February 22, 2021, 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.