

FAN FREE CLINIC, INC.

FINANCIAL REPORT

June 30, 2015

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Fan Free Clinic, Inc.
Richmond, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of Fan Free Clinic, Inc., which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities, functional expenses, and cash flows of the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Fan Free Clinic, Inc. as of June 30, 2015 and 2014, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards as required by the U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Government, and Non-Profit Organizations* is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 6, 2015 on our consideration of Fan Free Clinic, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Fan Free Clinic, Inc.'s internal control over financial reporting and compliance.

Mitchell, Wiggins & Company LLP

Petersburg, Virginia
October 6, 2015

FAN FREE CLINIC, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2015 and 2014

ASSETS	2015	2014
Cash and cash equivalents	\$ 360,993	\$ 1,038,089
Grants and contributions receivables, net of allowance of \$6,245 for 2015 and 2014	241,232	263,139
Bequests receivable	145,789	148,289
Prepaid expenses	28,071	15,194
Investments	250,685	-
Property and equipment, net	1,127,786	1,001,892
Total assets	\$ 2,154,556	\$ 2,466,603
 LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 37,804	\$ 30,825
Total liabilities	37,804	30,825
Net Assets:		
Unrestricted		
Operations	1,751,419	2,032,288
Board-designated endowment fund	150,441	-
Temporarily restricted	214,892	403,490
Total net assets	2,116,752	2,435,778
Total liabilities and net assets	\$ 2,154,556	\$ 2,466,603

See Notes to Financial Statements.

FAN FREE CLINIC, INC.

STATEMENT OF ACTIVITIES

Year Ended June 30, 2015

	Unrestricted	Temporarily Restricted	Totals
Revenues and other support:			
Contributions	\$ 191,914	\$ 755,443	\$ 947,357
Contributions, in-kind	4,947,215	-	4,947,215
Public grants, United Way	91,104	-	91,104
Public grants, City of Richmond	1,025,117	-	1,025,117
Public grants, Virginia Department of Health	411,142	-	411,142
Investment return	2,749	-	2,749
Net assets released from restrictions	944,041	(944,041)	-
Total revenues and other support	7,613,282	(188,598)	7,424,684
Expenses:			
Program services	7,304,816	-	7,304,816
Management and general	234,181	-	234,181
Fundraising	204,713	-	204,713
Total expenses	7,743,710	-	7,743,710
Changes in net assets	(130,428)	(188,598)	(319,026)
Net assets, beginning	2,032,288	403,490	2,435,778
Net assets, ending	\$ 1,901,860	\$ 214,892	\$ 2,116,752

See Notes to Financial Statements.

FAN FREE CLINIC, INC.

STATEMENT OF ACTIVITIES

Year Ended June 30, 2014

	Unrestricted	Temporarily Restricted	Totals
Revenues and other support:			
Contributions	\$ 105,952	\$ 884,196	\$ 990,148
Contributions, in-kind	5,055,734	-	5,055,734
Bequests	798,966	-	798,966
Special events (net of expenses \$12,153)	35,684	-	35,684
Public grants, United Way	98,186	-	98,186
Public grants, City of Richmond	535,047	-	535,047
Public grants, Virginia Department of Health	494,107	-	494,107
Interest income	1,916	-	1,916
Miscellaneous income	305	-	305
Net assets released from restrictions	767,357	(767,357)	-
Total revenues and other support	7,893,254	116,839	8,010,093
Expenses:			
Program services	6,979,886	-	6,979,886
Management and general	206,096	-	206,096
Fundraising	162,523	-	162,523
Total expenses	7,348,505	-	7,348,505
Changes in net assets	544,749	116,839	661,588
Net assets, beginning	1,487,539	286,651	1,774,190
Net assets, ending	\$ 2,032,288	\$ 403,490	\$ 2,435,778

See Notes to Financial Statements.

FAN FREE CLINIC, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2015

	Program Services	Management and General	Fundraising	Totals
Salaries	\$ 1,282,950	\$ 122,432	\$ 133,151	\$ 1,538,533
Employee's health benefits	91,164	23,893	12,541	127,598
Payroll taxes	107,530	9,750	10,383	127,663
Retirement plan	35,106	10,224	-	45,330
Total salaries and related expenses	1,516,750	166,299	156,075	1,839,124
Conferences	1,473	2,384	-	3,857
Donated laboratory services	3,370,530	-	-	3,370,530
Donated clinical services	1,328,276	-	-	1,328,276
Equipment maintenance	27,065	7,215	-	34,280
Insurance	17,174	232	-	17,406
Membership dues	12,214	-	2,649	14,863
Occupancy	88,681	18,774	-	107,455
Other	5,763	7,396	11,456	24,615
Postage	3,915	1,631	1,157	6,703
Printing	2,130	282	23,542	25,954
Professional fees	34,052	13,809	6,460	54,321
Recruitment	931	65	-	996
Services, in-kind	243,047	5,362	-	248,409
Specific assistance	525,690	-	-	525,690
Supplies	64,463	8,119	3,374	75,956
Telephone	8,475	2,274	-	10,749
Travel	10,430	339	-	10,769
Total expenses before depreciation	7,261,059	234,181	204,713	7,699,953
Depreciation	43,757	-	-	43,757
Total expenses	\$ 7,304,816	\$ 234,181	\$ 204,713	\$ 7,743,710

See Notes to Financial Statements.

FAN FREE CLINIC, INC.

STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2014

	Program Services	Management and General	Fundraising	Totals
Salaries	\$ 1,200,643	\$ 77,749	\$ 104,969	\$ 1,383,361
Employee's health benefits	109,243	14,860	7,099	131,202
Payroll taxes	94,692	12,926	8,637	116,255
Retirement plan	32,342	7,994	-	40,336
Total salaries and related expenses	1,436,920	113,529	120,705	1,671,154
Conferences	654	2,280	-	2,934
Donated laboratory services	3,179,283	-	-	3,179,283
Donated clinical services	1,590,019	-	-	1,590,019
Equipment maintenance	46,461	13,947	-	60,408
Insurance	14,945	2,886	-	17,831
Membership dues	10,103	-	-	10,103
Occupancy	91,496	21,851	-	113,347
Other	6,099	4,921	4,470	15,490
Postage	2,623	2,728	1,879	7,230
Printing	2,404	646	9,231	12,281
Professional fees	6,275	11,250	26,238	43,763
Recruitment	2,694	30	-	2,724
Services, in-kind	263,071	23,361	-	286,432
Specific assistance	197,612	-	-	197,612
Supplies	70,817	6,166	-	76,983
Telephone	8,874	2,255	-	11,129
Travel	7,238	246	-	7,484
Total expenses before depreciation	6,937,588	206,096	162,523	7,306,207
Depreciation	42,298	-	-	42,298
Total expenses	\$ 6,979,886	\$ 206,096	\$ 162,523	\$ 7,348,505

See Notes to Financial Statements.

FAN FREE CLINIC, INC.

STATEMENTS OF CASH FLOWS
Years Ended June 30, 2015 and 2014

	2015	2014
Operating Activities		
Changes in net assets	\$ (319,026)	\$ 661,588
Adjustments to reconcile changes in net assets to cash provided by operating activities:		
Depreciation	43,757	42,298
Unrealized losses on investment securities	9,864	-
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Grants and contributions receivable	21,907	129,066
Bequests receivable	2,500	(148,289)
Prepaid expenses	(12,877)	5,539
Increase in liabilities:		
Accounts payable	6,979	12,379
Net cash provided by (used in) operating activities	(246,896)	702,581
Investing Activities		
Purchase of property and equipment	(169,651)	(22,980)
Purchase of investments	(260,549)	-
Net cash used in investing activities	(430,200)	(22,980)
Increase (decrease) in cash and cash equivalents	(677,096)	679,601
Cash and cash equivalents, beginning	1,038,089	358,488
Cash and cash equivalents, ending	\$ 360,993	\$ 1,038,089

See Notes to Financial Statements.

FAN FREE CLINIC, INC.

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Business and Significant Accounting Policies

Nature of activities: The Fan Free Clinic, Inc. (the “Clinic”) incorporated in 1970, provides health care and ancillary services in a way that is considerate of the needs of people who have difficulty obtaining health services. The Clinic’s programs emphasize cooperative volunteer service delivery, with significant support through contracts with federal, state and local governments.

A summary of the Clinic’s significant accounting policies follows:

Basis of accounting: The Clinic’s financial statements are presented in accordance with accounting principles generally accepted in the United States of America on an accrual basis. Consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

Basis of presentation: The financial statement presentation follows the requirements of the Financial Accounting Standards Board in its Accounting Standards Codification Topic (ASC) 958 Not-for-Profit Entities. Under ASC 958, the Clinic is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted net assets: The Clinic reports assets whose use is not restricted by donors as unrestricted net assets. Contributions are available for unrestricted use unless specifically restricted by the donor. In general, the unrestricted net assets of the Clinic may be used at the discretion of the Clinic’s management and Board of Directors to support the Clinic’s purpose and operations.

Temporarily restricted net assets: Temporarily restricted net assets are those which are subject to donor imposed stipulations that may or will be met, either by actions of the Clinic and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. When the restriction is met in the same period as the contribution is received, the contribution is recorded as unrestricted for financial statement purposes.

Permanently restricted net assets: Permanently restricted net assets are those which are subject to donor imposed stipulations that they be maintained permanently by the Clinic to use all or part of the income earned on any related investments for general or specific purposes. The Clinic had no permanently restricted net assets as of June 30, 2015 and 2014.

Cash and cash equivalents: For purposes of the statements of cash flows, the Clinic considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Organization and Significant Accounting Policies (Continued)

Grants and contributions receivable: The Clinic is routinely involved in programs that result in unsecured receivables, similar to those associated with commercial businesses. Receivables are deemed past due if payments are not received by the due date stated on the billing statement. Past due accounts are not charged a monthly finance charge on the past due balance. Uncollectible receivables resulting from this type of transaction are charged to expense in the year an account is determined to be uncollectible. Grants and contributions receivables represent funds that the Organization will receive during the next fiscal year. The Clinic provides an allowance for doubtful accounts equal to estimated receivable defaults. The estimated defaults are based on historical collection experience together with a review of the current status of the existing receivables.

Bequests receivable: Bequests are recognized when the decedent's will is declared valid by the probate court. The amount recognized is the fair market value at the time of death. Bequests receivable are stated at the amount management expects to collect from outstanding balances. The management of the Clinic reviews the collectability of the accounts on a regular basis, and no reserve for doubtful accounts has been established.

Investments: Investments in mutual funds with readily determinable fair values and all are valued at their fair values in the statements of financial position. Unrealized gains and losses are included in the change in net assets.

The Organization evaluates securities for other-than-temporary impairment at least on an annual basis, and more frequently when economic or market concerns warrant such evaluation. The Organization employs a systematic methodology that considers available evidence in evaluating potential impairment of its investments. In the event that the cost of an investment exceeds its fair value, the Organization evaluates, among other factors, the magnitude and duration of the decline in fair value; for equity and debt securities the financial health of and business outlook for the issuer; the performance of the underlying assets for interests in securitized assets; and the Organization's intent and ability to hold the investment. Once a decline in fair value is determined to be other-than-temporary, an impairment charge is recorded in investment income and a new cost basis in the investment is established.

Property and equipment: Expenditures for the acquisition of property and equipment over \$1,000 are capitalized at cost. Depreciation is provided over the estimated useful lives of the assets on the straight-line method.

Revenue recognition: Contributions which include unconditional promises to give are recognized as revenues in the period received or promised. Conditional contributions are recorded when the conditions have been substantially met. Contributions are considered to be unrestricted unless specifically restricted by the donor. Program support grants are recognized as revenue at the time of the award if they are unconditional.

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Organization and Significant Accounting Policies (Continued)

The Clinic reports grants and contributions in the temporarily restricted net asset class if they are received with donor stipulations as to their use. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are released and reclassified to unrestricted net assets in the statement of activities. However, if restrictions on grants and contributions are met in the same reporting period as the grant or contribution is received, the revenues are reported as increases in unrestricted net assets.

Revenues from exchange contracts and cost reimbursement grants are recognized to the extent allowable expenses are incurred under the respective agreements. Amounts reported as grants and contributions receivable include exchange contract and grant program expenses incurred in advance of the receipt of funds as well as program support grants that have been awarded but not received. Funds received in advance of exchange contract and grant program expenses are reported as deferred revenue.

Income taxes: As a nonprofit organization, the Clinic is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and the tax statutes of the Commonwealth of Virginia. The Clinic has determined that it does not have any material unrecognized tax benefits or obligations as of June 30, 2015 and 2014. Fiscal years ending on or after June 30, 2012 remain subject to examination by federal and state tax authorities.

Concentration of credit risk: Financial instruments that potentially subject the Clinic to concentration of credit risk consist principally of interest-bearing transaction accounts and accounts receivable. The Clinic places its interest-bearing transaction accounts with high credit quality financial institutions. Accounts receivable consist of balances due from several federal, state and local governmental agencies and are historically fully collectible. These policies mitigate the Clinic's exposure to concentration of credit risk. As of June 30, 2015, the Clinic had balances in excess of the amount insured by the Federal Deposit Insurance Corporation (FDIC).

Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements. Such estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and assumptions.

NOTES TO FINANCIAL STATEMENTS

Note 2. Investments

Investments at June 30, 2015 consist of the following:

	June 30, 2015			
	Cost	Fair Value	Gross Unrealized Losses	Gross Unrealized Gains
Mutual funds	\$ 260,549	\$ 250,685	\$ (9,864)	\$ -

The following schedule summarizes the investment return and its classification in the statements of activities for the years ended:

	June 30, 2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Interest and dividend income	\$ 12,613	\$ -	\$ -	\$ 12,613
Net unrealized losses	(9,864)	-	-	(9,864)
Total investment return	\$ 2,749	\$ -	\$ -	\$ 2,749

Note 3. Property and Equipment

Property and equipment at cost, less accumulated depreciation, as of June 30, 2015 and 2014 on the statements of financial position include the following major classifications:

	2015	2014
Land	\$ 200,000	\$ 200,000
Building	1,292,349	1,146,540
Equipment	168,064	141,290
Vehicles	-	13,000
Software	2,460	11,094
Construction in progress	-	20,000
	<u>1,662,873</u>	<u>1,531,924</u>
Less accumulated depreciation	(535,087)	(530,032)
	<u>\$ 1,127,786</u>	<u>\$ 1,001,892</u>

NOTES TO FINANCIAL STATEMENTS

Note 4. Fair Value Measurements

U. S. GAAP has established a framework to measure fair value, and defined the required disclosures about fair value measurements. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The guidance also established a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1 – Quoted prices are available in active markets for identical investments as of the reporting date.

Level 2 – Pricing inputs, including broker quotes, are generally those other than exchange quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.

Level 3 – Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation.

The classification of investments by level within the valuation hierarchy as of June 30, 2015 is as follows:

	Fair Value Measurements at Reporting Date Using			
	June 30,			
	2015	Level 1	Level 2	Level 3
Assets				
Mutual funds:				
Equity income fund	\$ 54,230	\$ 54,230	\$ -	\$ -
Flexible portfolio funds	106,988	106,988	-	-
Global equity income fund	54,053	54,053	-	-
Short-term investment grade debt fund	35,414	35,414	-	-
	\$ 250,685	\$ 250,685	\$ -	\$ -

Note 5. Endowment

On July 22, 2014, the Organization created a board-designated quasi endowment fund known as the “Fan Free Clinic’s Endowment Fund” for the purpose to build reserves to meet current and future financial needs.

NOTES TO FINANCIAL STATEMENTS

Note 5. Endowment (Continued)

The following schedule summarizes the endowment net asset composition by type of fund as of June 30, 2015:

	June 30, 2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Board-designated endowment fund	\$ 150,441	\$ -	\$ -	\$ 150,441
Total endowment fund	\$ 150,441	\$ -	\$ -	\$ 150,441

The following schedule summarizes the changes in endowment net assets for the year ended June 30, 2015:

	June 30, 2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ -	\$ -	\$ -	\$ -
Transfers to board designated endowment fund	150,075	-	-	150,075
Investment return:				
Investment income	6,284	-	-	6,284
Net depreciation, unrealized	(5,918)	-	-	(5,918)
Total investment return	366	-	-	366
Endowment net assets, end of year	\$ 150,441	\$ -	\$ -	\$ 150,441

As of June 30, 2015, the Board of Directors had designated \$150,441, of unrestricted net assets as a general board-designated quasi endowment fund to support the mission of the Organization. Since that amount resulted from an internal designation and is not donor-restricted, it is classified and reported as unrestricted net assets.

The purpose of the board-designated quasi endowment fund is to build reserves to meet current and future programming, capital or other worthy needs. The intent is to invest and protect the endowment's corpus and use only investment income to meet the Organization's needs. Once endowment funds grow to a significant or sustainable level, investment income or an approved percentage of investment income can provide financial relief on an annual basis.

NOTES TO FINANCIAL STATEMENTS

Note 6. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes or periods as of June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Breast Health Services Program	\$ 25,290	\$ 25,290
Capital	93,530	247,466
Database Design Project (Capacity Building)	5,019	6,544
Diabetes Wellness Project	33,826	37,962
East End Initiative	16,904	16,904
Food Pantry	5,944	8,089
Mental Health Expansion	23,773	44,399
Teen Camp 2013	55	2,453
Teen Camp 2014	5,062	8,449
Trans Health Services	1,291	1,736
VCU African American Aids Study	4,198	4,198
	<u>\$ 214,892</u>	<u>\$ 403,490</u>

Net assets were released from donor restrictions by incurring expenses satisfying the purpose restriction specified by donors and grantors as of June 30, 2015 and 2014, and are as follows:

	<u>2015</u>	<u>2014</u>
Breast Health Services Program	\$ 40,000	\$ 45,589
Capital	192,435	44,859
Database Design Project (Capacity Building)	1,526	313
Diabetes Wellness Project	4,136	33,907
East End Initiative	-	34,995
Food Pantry	34,842	40,548
Medical Clinic Services	562,888	438,897
Mental Health Expansion	27,700	51,093
Prescription Assistance Project	58,709	59,147
Teen Camp 2013	2,398	4,196
Teen Camp 2014	3,487	2,484
Trans Health Services	4,445	564
VCU African American Aids Study	11,475	10,765
	<u>\$ 944,041</u>	<u>\$ 767,357</u>

NOTES TO FINANCIAL STATEMENTS

Note 7. Contributed Services and Materials

The Clinic relies on an extensive network of volunteers who contribute their services on an on-going basis. Support arising from these contributed services, amounting to \$552,677 and \$578,965 for the years ending June 30, 2015 and 2014, respectively, of which \$248,409 and \$286,432, respectively, met the criteria for recognition under accounting principles generally accepted in the United States of America and has been recognized in the accompanying financial statements for the years ending June 30, 2015 and 2014. The value of the contribution of these services is equal to the estimated amounts that would be paid if the Clinic had contracted independently for such services.

Donated laboratory services are also reflected as in-kind contributions, with a corresponding expense, in the accompanying financial statements at their estimated value at the date of receipt, amounting to \$3,370,530 and \$3,179,283, respectively, for the years ending June 30, 2015 and 2014.

Donated clinical services are also reflected as in-kind contributions, with a corresponding expense, in the accompanying financial statements at their estimated value at the date of receipt, amounting to \$1,328,276 and \$1,590,019, respectively, for the years ending June 30, 2015 and 2014.

The Clinic also received contributed prescription drugs that have not been recognized in the statements of activities with a fair market value of \$1,103,275 and \$1,037,320, respectively, for the years ending June 30, 2015 and 2014. These were not recognized because these prescriptions merely pass through the Clinic to its charitable beneficiaries. These prescriptions are provided primarily by pharmaceutical companies, in which the Clinic facilitates the distribution of the prescriptions to the patients.

Note 8. Functional Allocation of Expenses

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

Note 9. Economic Dependency

For the years ended June 30, 2015 and 2014, approximately 69% and 67% of total grants and contributions receivable, or \$167,442 and \$176,243, respectively, represent amounts due from federal, state and local government sources and one and two donors, respectively.

For the years ended June 30, 2015 and 2014, approximately 19% and 14%, respectively, of total revenue and other support for the years came from federal, state and local government sources.

NOTES TO FINANCIAL STATEMENTS

Note 10. Retirement Plan

The Clinic maintains a Simplified Employee Retirement Plan (SEP-IRA) covering all full-time employees. The SEP-IRA plan calls for a 3% discretionary employer contribution for all eligible employees age 21 years old or more and that make \$500 or more a year. The Clinic's contribution for the years ending June 30, 2015 and 2014 was \$45,330 and \$40,336, respectively.

Note 11. Subsequent Events

Management has evaluated subsequent events through October 6, 2015, the date the financial statements were available for issue.

Fan Free Clinic, Inc.

Compliance Section

Year Ended June 30, 2015



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

INDEPENDENT AUDITORS' REPORT

Board of Directors
Fan Free Clinic, Inc.
Richmond, Virginia

We have audited in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Fan Free Clinic, Inc. which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities, functional expenses, and cash flows for the years ended, and the related notes to the financial statements, and have issued our report thereon dated October 6, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Fan Free Clinic, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Fan Free Clinic, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Fan Free Clinic, Inc.'s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Fan Free Clinic, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mitchell, Wiggins & Company LLP

Petersburg, Virginia
October 6, 2015



**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE AS REQUIRED BY
OMB CIRCULAR A-133**

INDEPENDENT AUDITORS' REPORT

Board of Directors
Fan Free Clinic, Inc.
Richmond, Virginia

Report on Compliance for Each Major Federal Program

We have audited Fan Free Clinic, Inc.'s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Fan Free Clinic, Inc.'s major federal programs for the year ended June 30, 2015. Fan Free Clinic, Inc.'s major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Fan Free Clinic, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Fan Free Clinic, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Fan Free Clinic, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Fan Free Clinic, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of Fan Free Clinic, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Fan Free Clinic, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Fan Free Clinic, Inc.'s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Mitchell, Wiggins & Company LLP

Petersburg, Virginia
October 6, 2015

FAN FREE CLINIC, INC.

**Schedule of Expenditures of Federal Awards
Year Ended June 30, 2015**

Federal Grantor/ Pass-through Grantor/ Program Title	Pass-through Entity Identifying Number	Catalog of Federal Domestic Assistance Number	Federal Expenditures
U. S. Department of Health and Human Services			
Pass-through payments from:			
Virginia Department of Health			
HIV Care Formula Grants	54-0927792	93.917	\$ 42,060
HIV Prevention Activities	54-0927792	93.940	162,432
Tuberculosis Control Programs	54-0927792	93.116	51,675
VCU HIV/Substance Abuse in African Students	54-0927792	93.243	11,475
U. S. Department of Housing and Urban Development			
Pass-through payments from:			
City of Richmond			
Housing Opportunities for Persons with AIDS	54-0927792	14.241	953,256
			\$ 1,220,898

See Notes to the Schedule of Expenditures of Federal Awards.

FAN FREE CLINIC, INC.

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Fan Free Clinic, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, wherein either certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

FAN FREE CLINIC, INC.

Schedule of Findings and Questioned Costs
Year Ended June 30, 2015

Section I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Materials weakness(es) identified? Yes No

Significant deficiency(ies) identified that are not considered to be material weakness(es)? Yes None reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over the program:

Materials weakness(es) identified? Yes No

Significant deficiency(ies) identified that are not considered to be material weakness(es)? Yes None reported

Type of auditors' report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? Yes No

Identification of major programs:

U. S. Housing and Urban Development

Pass-through payments from City of Richmond - Housing Opportunities for Persons with Aids

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? Yes No

Section II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

Section III - FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

No matters were reported.

Section IV - PRIOR YEAR

No matters were reported.