

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

Consolidated Financial Statements

September 30, 2016 and 2015



**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 statement of financial position as of September 30, 2016, and the related consolidated statements of activities, functional expenses, and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

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

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

CONTINUED

INDEPENDENT AUDITOR'S REPORT - CONTINUED

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the St. Petersburg Free Clinic, Inc. and Affiliate as of September 30, 2016, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 12, 2017, on our consideration of the Free Clinic'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 the Free Clinic's internal control over financial reporting and compliance.

Prior Period Financial Statements

The financial statements of the Free Clinic as of September 30, 2015 were audited by other auditors, whose report dated March 10, 2016 expressed an unmodified opinion on those statements.

PDR Certified Public Accountants

Clearwater, Florida
January 12, 2017

**ST. PETERSBURG FREE CLINIC, INC.
AND AFFILIATE
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2016 AND 2015**

<u>ASSETS</u>	<u>2016</u>	<u>2015</u>
Cash and cash equivalents	\$ 928,716	\$ 1,519,772
Grants receivable	625,132	156,302
Bequests receivable	100,000	100,000
Endowment receivable	1,000,000	-
Unconditional promises to give, net	2,807,600	819,000
Inventory	85,281	54,487
Prepaid expenses and other assets	100,613	88,455
Investments	2,448,091	2,465,690
Beneficial interest in assets held by others	169,164	167,256
Property and equipment, net	5,887,483	1,717,012
Construction in progress	411,263	2,478,898
	<hr/>	<hr/>
Total Assets	\$14,563,343	\$ 9,566,872
	<hr/>	<hr/>
<u>LIABILITIES AND NET ASSETS</u>		
Liabilities		
Accounts payable and other accrued expenses	\$ 121,145	\$ 354,297
Accrued payroll and benefits	214,262	199,774
Long-term debt	-	316,808
	<hr/>	<hr/>
Total liabilities	335,407	870,879
Net assets		
Unrestricted net assets		
Operating	419,029	1,540,887
Property and equipment, net of related debt	6,298,746	1,400,204
Board designated for endowment	1,530,046	1,410,539
Total unrestricted net assets	<hr/> 8,247,821	<hr/> 4,351,630
Temporarily restricted net assets	4,762,515	4,126,763
Permanently restricted net assets	1,217,600	217,600
	<hr/>	<hr/>
Total net assets	14,227,936	8,695,993
	<hr/>	<hr/>
Total Liabilities and Net Assets	\$14,563,343	\$ 9,566,872
	<hr/>	<hr/>

See notes to consolidated financial statements

**ST. PETERSBURG FREE CLINIC, INC.
AND AFFILIATE
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2016
(WITH COMPARATIVE TOTALS FOR 2015)**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
				2016	2015
Public Support and Revenue					
Contributions	\$ 1,350,172	\$ 2,656	\$ -	\$ 1,352,828	\$ 753,896
Grants and restricted gifts	-	5,745,369	1,000,000	6,745,369	1,356,249
Capital campaign	-	4,673	-	4,673	1,387,361
Special events, net of \$74,959 in direct expense	331,227	-	-	331,227	292,228
Bequests	20,003	-	-	20,003	251,987
In-kind revenue					
Services	210,870	-	-	210,870	240,975
Food	7,042,992	-	-	7,042,992	5,082,054
Investment income (loss), net	150,183	-	-	150,183	(18,779)
Net assets released from restrictions	5,116,946	(5,116,946)	-	-	-
Total public support and revenue	14,222,393	635,752	1,000,000	15,858,145	9,345,971
Expenses					
Program services					
Health Center	895,074	-	-	895,074	958,371
Food Bank	6,139,611	-	-	6,139,611	4,410,362
We Help Services	1,555,369	-	-	1,555,369	1,359,923
Women's Residence	742,192	-	-	742,192	299,587
Family Residence	323,368	-	-	323,368	332,000
Beacon House	378,119	-	-	378,119	384,207
Total program services	10,033,733	-	-	10,033,733	7,744,450
Support services					
General and administrative	220,194	-	-	220,194	179,443
Fundraising	397,630	-	-	397,630	343,295
Total support services	617,824	-	-	617,824	522,738
Total expenses	10,651,557	-	-	10,651,557	8,267,188
Change in Net Assets from Operations	3,570,836	635,752	1,000,000	5,206,588	1,078,783
Other Changes					
Foregiveness of debt	328,978	-	-	328,978	100,000
Loss on disposal of property	(3,623)	-	-	(3,623)	(69,152)
	325,355	-	-	325,355	30,848
Change in Net Assets	3,896,191	635,752	1,000,000	5,531,943	1,109,631
Net Assets, Beginning of Year	4,351,630	4,126,763	217,600	8,695,993	7,586,362
Net Assets, End of Year	\$ 8,247,821	\$ 4,762,515	\$ 1,217,600	\$14,227,936	\$ 8,695,993

See notes to consolidated financial statements

**ST. PETERSBURG FREE CLINIC, INC.
AND AFFILIATE
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Public Support and Revenue				
Contributions	\$ 753,896	\$ -	\$ -	\$ 753,896
Grants and contract revenue	-	1,356,249	-	1,356,249
Capital campaign	-	1,387,361	-	1,387,361
Special events, net of \$72,470 in direct expense	292,228	-	-	292,228
Bequests	151,987	100,000	-	251,987
In-kind revenue:				
Services	240,975	-	-	240,975
Food	5,082,054	-	-	5,082,054
Investment income (loss), net	(18,779)	-	-	(18,779)
Net assets released from restrictions	3,859,169	(3,859,169)	-	-
Total public support and revenue	10,361,530	(1,015,559)	-	9,345,971
Expenses				
Program services				
Health Center	958,371	-	-	958,371
Food Bank	4,410,362	-	-	4,410,362
We Help Services	1,359,923	-	-	1,359,923
Women's Residence	299,587	-	-	299,587
Family Residence	332,000	-	-	332,000
Beacon House	384,207	-	-	384,207
Total program services	7,744,450	-	-	7,744,450
Support services				
General and administrative	179,443	-	-	179,443
Fundraising	343,295	-	-	343,295
Total support services	522,738	-	-	522,738
Total expenses	8,267,188	-	-	8,267,188
Change in Net Assets from Operations	2,094,342	(1,015,559)	-	1,078,783
Other Changes				
Foregiveness of debt	100,000	-	-	100,000
Loss on disposal of property	(69,152)	-	-	(69,152)
	30,848	-	-	30,848
Change in Net Assets	2,125,190	(1,015,559)	-	1,109,631
Net Assets, Beginning of Year	2,226,440	5,142,322	217,600	7,586,362
Net Assets, End of Year	\$ 4,351,630	\$ 4,126,763	\$ 217,600	\$ 8,695,993

See notes to consolidated financial statements

**ST. PETERSBURG FREE CLINIC, INC.
AND AFFILIATE
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	Program Services						Total Program Services
	Health Center	Food Bank	We Help Services	Women's Residence	Family Residence	Beacon House	
Salaries and related expenses							
Salaries	\$ 427,893	\$ 187,181	\$ 87,049	\$ 184,121	\$ 112,826	\$ 151,053	\$ 1,150,123
Payroll taxes and employee benefits	72,341	34,722	11,608	28,458	23,777	28,006	198,912
Total salaries and related expenses	500,234	221,903	98,657	212,579	136,603	179,059	1,349,035
Other expenses							
Advertising	8,278	8,228	8,202	8,202	8,202	8,202	49,314
Bank charges	-	-	-	-	-	-	-
Computer expenses	26,664	7,819	7,341	48,275	10,194	9,753	110,046
Contract services	7,240	-	-	-	-	-	7,240
Direct assistance	28,664	14,784	207,399	23,271	5,180	20,572	299,870
Dues and subscriptions	2,264	255	191	-	72	72	2,854
Fees and licenses	2,888	748	1,384	1,409	532	697	7,658
Food	-	5,732,302	1,157,834	47,696	55,364	53,875	7,047,071
Insurance	16,960	8,294	8,294	18,554	8,598	8,552	69,252
Interest	3,043	3,043	3,043	-	-	-	9,129
Legal and professional	2,484	2,484	2,484	2,484	2,546	2,484	14,966
Maintenance and repairs	18,634	20,894	13,294	202,621	21,804	25,095	302,342
Occupancy	11,744	21,065	11,744	55,923	24,964	22,117	147,557
Other	-	-	-	-	-	-	-
Postage and printing	6,644	5,515	5,047	5,411	4,928	5,191	32,736
Supplies	226,698	5,251	3,355	26,848	11,177	14,091	287,420
Communication	3,525	3,415	3,308	19,866	6,558	2,491	39,163
Training	2,643	270	50	1,513	114	389	4,979
Transportation	1,726	53,102	155	582	1,368	3,748	60,681
Depreciation	24,741	30,239	23,587	66,958	25,164	21,731	192,420
Total other expenses	394,840	5,917,708	1,456,712	529,613	186,765	199,060	8,684,698
Total expenses	\$ 895,074	\$ 6,139,611	\$ 1,555,369	\$ 742,192	\$ 323,368	\$ 378,119	\$10,033,733

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, 2016**

	<u>Support Services</u>			<u>Total Expenses</u>
	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total Support Services</u>	
Salaries and related expenses				
Salaries	\$ 90,490	\$ 251,427	\$ 341,917	\$ 1,492,040
Payroll taxes and employee benefits	70,129	34,498	104,627	303,539
Total salaries and related expenses	<u>160,619</u>	<u>285,925</u>	<u>446,544</u>	<u>1,795,579</u>
Other expenses				
Advertising	-	8,313	8,313	57,627
Bank charges	973	13,954	14,927	14,927
Computer expenses	6,873	6,462	13,335	123,381
Contract services	-	5,250	5,250	12,490
Direct assistance	-	-	-	299,870
Dues and subscriptions	407	1,382	1,789	4,643
Fees and licenses	317	13,732	14,049	21,707
Food	-	-	-	7,047,071
Insurance	4,151	4,151	8,302	77,554
Interest	1,521	1,521	3,042	12,171
Legal and professional	2,265	3,242	5,507	20,473
Maintenance and repairs	14,257	3,691	17,948	320,290
Occupancy	5,872	5,797	11,669	159,226
Other	-	1,127	1,127	1,127
Postage and printing	2,537	12,149	14,686	47,422
Supplies	2,467	12,788	15,255	302,675
Communication	1,752	1,703	3,455	42,618
Training	1,240	3,489	4,729	9,708
Transportation	1,801	1,479	3,280	63,961
Depreciation	13,142	11,475	24,617	217,037
Total other expenses	<u>59,575</u>	<u>111,705</u>	<u>171,280</u>	<u>8,855,978</u>
Total expenses	<u>\$ 220,194</u>	<u>\$ 397,630</u>	<u>\$ 617,824</u>	<u>\$10,651,557</u>

See notes to consolidated financial statements

**ST. PETERSBURG FREE CLINIC, INC.
AND AFFILIATE
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	Program Services						Total Program Services
	Health Center	Food Bank	We Help Services	Women's Residence	Family Residence	Beacon House	
Salaries and related expenses							
Salaries	\$ 413,783	\$ 174,442	\$ 96,528	\$ 121,744	\$ 115,268	\$ 153,412	\$ 1,075,177
Payroll taxes and employee benefits	75,195	30,442	17,074	19,941	21,349	27,859	191,860
Total salaries and related expenses	488,978	204,884	113,602	141,685	136,617	181,271	1,267,037
Other expenses							
Advertising	2,563	2,513	2,513	2,513	2,513	2,513	15,128
Bank charges	-	-	-	-	-	-	-
Computer expenses	23,701	11,333	13,697	13,019	12,726	13,090	87,566
Contract services	45,877	80	-	-	-	-	45,957
Direct assistance	25,046	-	185,600	9,516	2,173	4,266	226,601
Dues and subscriptions	2,971	129	72	72	72	72	3,388
Fees and licenses	5,816	246	744	24	90	232	7,152
Food	-	4,039,752	966,631	28,456	41,498	66,097	5,142,434
Insurance	16,131	8,500	8,500	5,004	8,945	10,516	57,596
Interest	3,319	3,319	3,319	-	-	-	9,957
Legal and professional	2,362	2,112	2,112	2,112	2,147	2,112	12,957
Maintenance and repairs	18,499	24,390	14,049	2,996	23,536	19,711	103,181
Occupancy	15,323	17,470	15,275	70,852	36,589	30,436	185,945
Other	-	4,450	-	-	-	-	4,450
Postage and printing	10,259	9,935	9,888	9,326	9,450	9,277	58,135
Supplies	274,276	7,008	4,500	8,403	23,238	14,369	331,794
Communication	2,225	2,153	2,197	1,204	7,130	2,805	17,714
Training	2,279	93	386	664	218	588	4,228
Transportation	331	44,228	154	702	1,638	4,206	51,259
Depreciation	18,415	27,767	16,684	3,039	23,420	22,646	111,971
Total other expenses	469,393	4,205,478	1,246,321	157,902	195,383	202,936	6,477,413
Total expenses	\$ 958,371	\$ 4,410,362	\$ 1,359,923	\$ 299,587	\$ 332,000	\$ 384,207	\$ 7,744,450

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, 2015**

	<u>Support Services</u>			<u>Total Expenses</u>
	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total Support Services</u>	
Salaries and related expenses				
Salaries	\$ 83,497	\$ 227,105	\$ 310,602	\$ 1,385,779
Payroll taxes and employee benefits	46,753	35,550	82,303	274,163
Total salaries and related expenses	<u>130,250</u>	<u>262,655</u>	<u>392,905</u>	<u>1,659,942</u>
Other expenses				
Advertising	-	3,763	3,763	18,891
Bank charges	1,059	8,509	9,568	9,568
Computer expense	6,051	7,611	13,662	101,228
Contract services	-	4,725	4,725	50,682
Direct assistance	-	-	-	226,601
Dues and subscriptions	277	415	692	4,080
Fees and licenses	1,244	7,344	8,588	15,740
Food	-	-	-	5,142,434
Insurance	4,478	4,253	8,731	66,327
Interest	1,660	1,659	3,319	13,276
Legal and professional	1,056	1,056	2,112	15,069
Maintenance and repairs	6,243	4,559	10,802	113,983
Occupancy	7,658	7,536	15,194	201,139
Other	-	-	-	4,450
Postage and printing	4,638	5,326	9,964	68,099
Supplies	4,555	11,425	15,980	347,774
Communication	1,035	1,035	2,070	19,784
Training	108	2,705	2,813	7,041
Transportation	602	812	1,414	52,673
Depreciation	8,529	7,907	16,436	128,407
Total other expenses	<u>49,193</u>	<u>80,640</u>	<u>129,833</u>	<u>6,607,246</u>
Total expenses	<u>\$ 179,443</u>	<u>\$ 343,295</u>	<u>\$ 522,738</u>	<u>\$ 8,267,188</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, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
Cash Flows from Operating Activities:		
Change in net assets	\$ 5,531,943	\$ 1,109,631
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	217,037	128,407
Forgiveness of debt	(328,978)	(100,000)
Loss on disposal of property	3,623	69,152
Realized (gains) losses on investments	(6,192)	59,811
Unrealized (gains) losses on investments	(96,712)	(15,085)
Accretion of loan discount	12,170	13,276
Donated investments	(1,522,427)	-
Change in value of beneficial interest in assets held by others	(1,908)	6,391
(Increase) decrease in operating assets:		
Grants receivable	(468,830)	(134,489)
Bequests receivable	-	1,605,000
Endowment receivable	(1,000,000)	-
Unconditional promises to give, net	(1,988,600)	1,747,160
Inventory	(30,794)	47,055
Prepaid expenses and other assets	(12,158)	(20,885)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(233,152)	224,261
Accrued payroll and benefits	14,488	6,367
	<u>89,510</u>	<u>4,746,052</u>
Net cash provided by operating activities		
Cash Flows from Investing Activities:		
Purchases of property and equipment	(681,622)	(301,284)
Purchases of construction in progress	(1,641,874)	(2,121,036)
Proceeds from sale of investments	1,931,828	2,710,477
Purchases of investments	(288,898)	(4,132,198)
	<u>(680,566)</u>	<u>(3,844,041)</u>
Net cash used in investing activities		
Net (Decrease) Increase in Cash and Cash Equivalents	(591,056)	902,011
Cash and Cash Equivalents at Beginning of Year	<u>1,519,772</u>	<u>617,761</u>
Cash and Cash Equivalents at End of Year	<u>\$ 928,716</u>	<u>\$ 1,519,772</u>
Supplemental Cash Flow Information:		
Contributed services	<u>\$ 210,870</u>	<u>\$ 240,975</u>
In-Kind donations	<u>\$ 7,042,922</u>	<u>\$ 5,082,054</u>

See notes to consolidated financial statements

**ST. PETERSBURG FREE CLINIC, INC.
AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2016 AND 2015**

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). The Free Clinic is a multi-service, independent, not-for-profit human services agency providing community neighbors assistance with food, shelter, and health care. The Free Clinic has been caring for the underserved facing temporary emergency needs throughout Pinellas County since 1970. Primary beneficiaries of the Free Clinic's programs are families and individuals in Pinellas County - specifically a combination of low income and working-poor who fall through the cracks of existing systems and services. Its current programs include:

Free Clinic Health Center

Established in 1970, Free Clinic Health Center provides primary health care services for adults aged 18 - 64 without private insurance, Medicare or Medicaid, and who do not qualify for county-subsidized health care. Free Clinic Health Center offers basic health and wellness services by a full-time nurse practitioner, a full-time health educator, full-time nurse coordinator, plus volunteer physicians and nurses. Available services include blood pressure and blood sugar testing and diabetic screenings, over the counter medications, prescription drug assistance, physical therapy, health related support groups, and referral services. For the years ended 2016 and 2015, the Free Clinic Health Center provided over 12,700 and 14,700 points of services, respectively, and filled over 2,400 prescriptions valued at \$2 million and \$1.5 million, respectively.

Free Clinic Dental Clinic

Free Clinic Dental Clinic provides uninsured adults with dental hygiene, fillings, and extractions. Volunteer dentists, dental assistants, and dental hygienists provide care to patients through clinics that are hosted multiple times per month. The Free Clinic Dental Clinic assisted 822 and 582 patients with 1,778 and 1,322 procedures for the fiscal years 2016 and 2015, respectively.

Free Clinic Food Bank

Established in 1980 as the second food bank in Florida, Free Clinic 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. The Food Bank distributes food free of charge to over 60 partner agencies throughout our community, including food pantries, shelters, community kitchens, missions, residential programs, and child care centers. These include Free Clinic's We Help Services, Women's Residence, Family Residence, Beacon House, and the Community Kitchen. The Food Bank collected and distributed approximately 4.1 million and 2.9 million pounds of food for fiscal years ending 2016 and 2015, respectively. Every month, over 50,000 of our neighbors in need receive food assistance through these efforts.

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 107,600 and 69,000 services to over approximately 42,000 and 35,000 clients for fiscal years ending 2016 and 2015, respectively.

**ST. PETERSBURG FREE CLINIC, INC.
AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2016 AND 2015**

NOTE A - NATURE OF ORGANIZATION - CONTINUED

Baldwin Women's Residence

Established in 1989, Baldwin Women's Residence provides a safe place to stay as well as support services to single, homeless women 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. The Baldwin Women's Residence provided shelter and support to 108 and 56 women for fiscal years ending 2016 and 2015, respectively.

Free Clinic Family Residence

In February 2013, the Free Clinic acquired property for the purpose of better serving homeless families. The Residence provided 129 and 116 families with transitional shelter for fiscal years ending 2016 and 2015, respectively. Homeless families are referred to the program by the Juvenile Welfare Board and Personal Enrichment for Mental Health Services (PEMHS). These families are provided intensive navigation services to overcome the barriers to obtain permanent housing. The goal of the Family Residence is to serve families by providing safe shelter, as well as a path to permanent housing.

Free Clinic Beacon House

Established in 1997, Free Clinic Beacon House provides safe, supportive, transitional shelter to single, homeless men. The capacity of Beacon House is 32 residents. Residents work with staff to set goals, save money, and work toward independent living. The Free Clinic Beacon House assisted 159 and 117 homeless men for fiscal years ending 2016 and 2015, respectively.

Free Clinic Community Kitchen

Located at Free Clinic Beacon House, the Community Kitchen provides dinner six nights a week to anyone who is hungry. For fiscal years ending 2016 and 2015, approximately 30,000 and 32,000 evening meals were served, respectively.

Affiliate

The Sister Margaret Freeman Foundation, Inc. (the Foundation), a not-for-profit foundation, was incorporated on May 20, 1996. The Free Clinic and the Foundation are related through an economic interest and a majority voting interest on the board of directors. The Foundation's activities for the fiscal years ended September 30, 2016 and 2015 are included in these financial statements. All significant intercompany balances and transactions are eliminated in consolidation.

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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 three classes of net assets described as follows:

- Unrestricted Net Assets - All resources over which the governing board has discretionary control. The governing board of the Free Clinic may elect to designate such resources for specific purposes. This designation may be removed at the Board's discretion.
- Temporarily Restricted Net Assets - Resources for which donor imposed restrictions related to use or timing have not yet been met. Such resources will become unrestricted when the requirements of the donor or grantee have been satisfied through expenditure for the specified purpose or program or through the passage of time.
- Permanently Restricted Net Assets - Resources accumulated through donations or grants that are subject to the restriction in perpetuity that the principal be invested. These net assets include the original value of the gift, plus any subsequent additions.

Use of Estimates

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

Cash and Cash Equivalents

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

Financial instruments which potentially subject the Free Clinic to concentrations of credit risk consist principally of cash held in financial institutions in excess of federally-insured limits. From time to time throughout the years ended September 30, 2016 and 2015, 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.

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NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Inventory

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

Unconditional Promises to Give

Contributions are recognized when the donor makes a promise to give to the Free Clinic that is, in substance, unconditional. Unconditional contributions received with donor-imposed restrictions that are met in the same year in which the contributions are received are classified as temporarily restricted and then released to unrestricted contributions. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, or when a pledge becomes due, temporarily restricted net assets are reclassified to unrestricted net assets.

Unconditional promises to give that are expected to be collected within one year are recorded as contributions receivable at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated cash flows. Conditional promises to give are not included as support until the conditions are substantially met.

The Organization uses the allowance method to determine uncollectible unconditional promises. The Organization has determined that all amounts are collectible; accordingly no allowance for potentially uncollectible accounts has been recorded at September 30, 2016 and 2015.

Grants and Restricted Gifts

Grants and other contributions of cash and other assets are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions received with donor-imposed restrictions that are met in the same year in which the contributions are received are classified as temporarily restricted and then released to unrestricted contributions. All contributions are available for unrestricted use unless specifically restricted by the donor.

Donated Services

Donated services that require specialized skills are recorded at fair market value. Donated services are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. These services consisted of medical services donated and totaled approximately \$211,000 and \$241,000 for the years ended September 30, 2016 and 2015, respectively.

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NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Property and Equipment

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

Investments

Investments in debt and equity securities and mutual funds are stated at fair market value in the statements of financial position. Investment income or loss (including gains or losses on investments, interest, and dividends) is included in the statements of activities as increases or decreases in unrestricted net assets 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 temporarily restricted net assets in the reporting period in which the income and gains are recognized and released from restriction when distributed for operating purposes.

Income Taxes

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

Uncertain Tax Positions

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

Functional Allocation of Expenses

The costs of providing the programs and supporting services have been reported on a functional basis in the 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. Certain expenses are allocated to each function based on management's estimate of time spent within each category.

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NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Reclassifications

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

NOTE C - INVESTMENTS

The Organization's investments consist of the following at September 30, 2016 and 2015:

	2016		2015	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Money market funds	\$ 750,558	\$ 750,558	\$ 923,255	\$ 923,255
Mutual funds	1,318,999	1,456,010	1,298,235	1,338,814
Certificates of deposit	205,658	205,658	203,621	203,621
Equities	35,584	35,865	-	-
	<u>\$ 2,310,799</u>	<u>\$ 2,448,091</u>	<u>\$ 2,425,111</u>	<u>\$ 2,465,690</u>

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

	<u>2016</u>	<u>2015</u>
Interest and dividends	\$ 42,195	\$ 25,947
Realized gains (losses)	6,192	(59,811)
Unrealized gains	96,712	15,085
Total investment return	<u>\$ 145,099</u>	<u>\$ (18,779)</u>

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 either temporarily restricted net assets, as these assets will not be available until future years, or as permanently restricted net assets. As funds from an estate (other than permanently restricted) are collected, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities as assets released from restrictions. Bequests receivable at both September 30, 2016 and 2015 are \$100,000.

**ST. PETERSBURG FREE CLINIC, INC.
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NOTE E - ENDOWMENT RECEIVABLE

The Free Clinic received a pledge from a donor that includes a \$1,000,000 endowment. This amount is expected to be collected within one year and is reflected as a receivable on the statements of financial position.

NOTE F - BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS

In 2012, the Free Clinic invested \$52,600 within the Community Foundation of Tampa Bay. This amount is considered to be an asset of the Free Clinic and is presented as beneficial interest in assets held by others in the accompanying consolidated statements of financial position as of September 30, 2016. As of September 30, 2016 and 2015, this investment was valued at \$54,164 and \$52,256, respectively. In addition, at September 30, 2016 and 2015, the Community Foundation of Tampa Bay (the Community Foundation) was holding a balance of approximately \$45,600 and \$44,200, respectively, representing contributions made directly to the Community Foundation for the benefit of the Free Clinic. Earnings on these funds are earmarked to be distributed on a periodic basis to the Free Clinic. The Community Foundation has been granted variance power over these funds which provide the Community Foundation the unilateral power to redirect the use of the funds to other beneficiaries if the Free Clinic were to discontinue operations. Because the Community Foundation has been granted variance power, funds contributed by donors to the Community Foundation on behalf of the Free Clinic are not considered to be an asset of the Free Clinic and have not been reported in the financial statements.

In 2012, the Sister Margaret Freeman Foundation invested \$115,000 with the Pinellas Community Foundation in an endowment. The Pinellas County Community Foundation matched the \$115,000 with 30% or \$34,500. The endowment will pay 5% of its year-end value to the Free Clinic each year. The 30% match is not considered to be an asset of the Free Clinic and has not been reported in the financial statements. As of September 30, 2016, this endowment, including the 30% match, was valued at approximately \$153,000. The portion invested by the Sister Margaret Freeman Foundation is reflected as beneficial interest in assets held by others on the consolidated statements of financial position.

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NOTE G - UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give at September 30, 2016 and 2015 are summarized as follows:

	<u>2016</u>	<u>2015</u>
Gross unconditional promises to give	\$ 2,812,194	\$ 826,000
Less unamortized discount	<u>(4,594)</u>	<u>(7,000)</u>
Net unconditional promises to give	<u>\$ 2,807,600</u>	<u>\$ 819,000</u>
Amount due in:		
Less than one year	\$ 2,255,893	\$ 480,000
One to five years	<u>556,301</u>	<u>346,000</u>
	<u>\$ 2,812,194</u>	<u>\$ 826,000</u>

Unconditional promise to give at September 30, 2016 included three pledges totaling \$2,506,000, in addition to a number of smaller pledges. 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 were between approximately 1% and .5%.

NOTE H - PROPERTY AND EQUIPMENT AND CONSTRUCTION IN PROGRESS

Property and equipment consists of the following at September 30:

	<u>2016</u>	<u>2015</u>
Land	\$ 1,019,060	\$ 544,650
Building and improvements	5,090,924	1,402,271
Furniture and equipment	353,108	305,400
Vehicles	<u>437,936</u>	<u>301,222</u>
	6,901,028	2,553,543
Less accumulated depreciation	<u>(1,013,545)</u>	<u>(836,531)</u>
	<u>\$ 5,887,483</u>	<u>\$ 1,717,012</u>

Construction in progress at September 30, 2016 totals \$411,263 and represents amounts paid to date for the purchase and renovation of a new food bank warehouse. Depreciation will commence when the warehouse is completed and placed in service. Construction in progress at September 30, 2015 totaled \$2,478,898 and represented amounts paid for the construction of the Baldwin Women's Residence. The Baldwin Women's Residence was completed and placed in service in January 2016.

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NOTE I - OPERATING LEASE

The Free Clinic has entered into operating leases, which cover parking, software, and office equipment. Total rental expense for these leases was approximately \$39,600 and \$22,600 for the years ended September 30, 2016 and 2015, respectively. The approximate future minimum lease payments required under these operating leases as of September 30, 2016 are as follows:

Year Ending September 30,	Amount
2017	\$ 44,491
2018	25,702
2019	12,000
2020	12,000
2021	12,000
Thereafter	48,000
	\$ 154,193

NOTE J - LONG-TERM DEBT

The Free Clinic was obligated to the City of St. Petersburg under a mortgage loan payable as of September 30, 2015. The loan acquired through Community Development Block Grant Funding was interest free with no current principal payments required. The loan was recorded based on fair value, using the prevailing interest rate for similar transactions at the time the mortgage was executed. Under the terms of the loan, the principal was to be forgiven at maturity if the property continued to be used to provide services to low and moderate-income households in the form of a medical clinic or neighborhood service center. The original maturity date was January 1, 2019 for \$350,000. Each year, interest expense is recognized and the mortgage liability is increased (accrued). During the current year the mortgage loan payable for \$350,000 was forgiven and a satisfaction of mortgage was recorded under the terms of an agreement dated September 8, 2016.

On January 27, 2015, an obligation to the City of St. Petersburg under a mortgage loan payable for \$100,000 was forgiven and a satisfaction of mortgage was recorded under the terms of an agreement dated February 8, 2013.

Mortgage loans payable for the years ended September 30, 2016 and 2015 were:

	2016	2015
Total debt before discount	\$ -	\$ 350,000
Less debt discount	-	(33,192)
Total debt, net of discount	\$ -	\$ 316,808

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NOTE J - LONG-TERM DEBT - CONTINUED

Temporarily restricted net assets include \$33,192 of interest contributed for the year ended September 30, 2015 based on the difference between the fair value of the mortgage as of the execution date and the face value of the mortgage. Interest accreted through the date of forgiveness has been released from temporarily restricted nets assets as of September 30, 2016.

NOTE K - DONATED FOOD AND MEDICINE

During the years ended September 30, 2016 and 2015, the Free Clinic received approximately 4.1 million and 2.9 million pounds of donated food, respectively. The donated food is estimated to be valued at \$1.67 a pound for fiscal year 2016 and \$1.70 a pound for fiscal year 2015, which amounts to approximately \$7,000,000 and \$5,100,000, respectively. The donations and the inventory value of donated food are recorded when the Free Clinic has the unilateral power to redirect the use of the transferred assets to another beneficiary.

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

NOTE L - RETIREMENT PLAN

The Free Clinic has a 401(k) retirement plan which covers all employees over 21 years of age having one year of service, provided they have met the 1,000 hours of service requirement. Annual contributions are made at the discretion of the Board. The contribution for fiscal 2016 and 2015 was \$57,500 and \$35,000, respectively.

NOTE M - FOUNDATION

The Sister Margaret Freeman Foundation, Inc.'s net assets as of September 30, 2016 and 2015 consisted of the following:

	<u>2016</u>	<u>2015</u>
Unrestricted, undesignated	\$ 26,276	\$ 14,523
Board designated for endowment purposes	1,530,046	1,410,539
Temporarily restricted	-	-
Permanently restricted	<u>115,000</u>	<u>115,000</u>
	<u>\$ 1,671,322</u>	<u>\$ 1,540,062</u>

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NOTE N - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following as of September 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Discount on below market rate mortgages	\$ -	\$ 33,192
Donated property	228,288	228,288
Bequests receivable	100,000	100,000
Grants and contributions	2,019,627	467,386
Project pledges	2,113,800	-
Capital campaign	300,800	3,297,897
	<u>\$ 4,762,515</u>	<u>\$ 4,126,763</u>

NOTE O - NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from restrictions as follows during the years ended September 30, 2016 and 2015, by incurring expenses satisfying the restricted purposes, or by occurrence of other events specified by donors:

	<u>2016</u>	<u>2015</u>
Discount on below market rate mortgages	\$ 33,192	\$ 13,276
Bequests receivable	-	1,705,000
Grants and contributions	1,245,550	1,128,113
Project pledges	836,434	-
Capital campaign	3,001,770	1,012,780
	<u>\$ 5,116,946</u>	<u>\$ 3,859,169</u>

NOTE P - PERMANENTLY RESTRICTED NET ASSETS

In 2007, the Free Clinic received a \$50,000 donation to establish a permanent 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 the Board designated funds described in **NOTE Q**. 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. The donor-restricted endowment is reported as permanently restricted net assets.

In 2012, the Free Clinic invested \$52,600 within the Community Foundation of Tampa Bay. Only the earnings on these funds will be distributed on a periodic basis to the Free Clinic. Based on the terms of the investment, the invested amount will not ever be returned to the Free Clinic. The initial investment is reported as permanently restricted net assets and the year-end value in excess of the initial investment is reported in unrestricted net assets.

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NOTE P - PERMANENTLY RESTRICTED NET ASSETS - CONTINUED

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 not ever be returned to the Sister Margaret Freeman Foundation. The initial investment is reported as permanently restricted net assets and the year-end value in excess of the initial investment is reported in unrestricted net assets. 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 included a \$1,000,000 endowment. This endowment receivable has been reported as permanently restricted net assets (**NOTE E**).

NOTE Q - ENDOWMENT FUND

The Free Clinic's endowment consists of three donor-restricted investment funds (**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.

Endowment net asset composition by type of fund as of September 30, 2016 and 2015:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Summary of Endowment Assets September 30, 2016:				
Donor-restricted endowment	\$ -	\$ -	\$ 1,217,600	\$ 1,217,600
Board-designated funds	1,530,046	-	-	1,530,046
	\$ 1,530,046	\$ -	\$ 1,217,600	\$ 2,747,646
Summary of Endowment Assets September 30, 2015:				
Donor-restricted endowment	\$ -	\$ -	\$ 217,600	\$ 217,600
Board-designated funds	1,410,539	-	-	1,410,539
	\$ 1,410,539	\$ -	\$ 217,600	\$ 1,628,139

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NOTE Q - ENDOWMENT FUND - CONTINUED

Changes in endowment net assets for the years ended September 30, 2016 and 2015:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Changes in Endowment Net Assets as of September 30, 2016				
Endowment net assets, beginning	\$ 1,410,539	\$ -	\$ 217,600	\$ 1,628,139
Investments return:				
Investment income	-	39,361	-	39,361
Net appreciation (realized and unrealized)	<u>80,146</u>	<u>-</u>	<u>-</u>	<u>80,146</u>
Total investment return	<u>80,146</u>	<u>39,361</u>	<u>-</u>	<u>119,507</u>
Endowment receivable (NOTE E)	-	-	1,000,000	1,000,000
Funds invested in endowment	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	-	-	1,000,000	1,000,000
Net assets released from restrictions	<u>39,361</u>	<u>(39,361)</u>	<u>-</u>	<u>-</u>
Total funds	<u>\$ 1,530,046</u>	<u>\$ -</u>	<u>\$ 1,217,600</u>	<u>\$ 2,747,646</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Changes in Endowment Net Assets as of September 30, 2015				
Endowment net assets, beginning	\$ 905,641	\$ -	\$ 217,600	\$ 1,123,241
Investments return:				
Investment income	-	24,447	-	24,447
Net appreciation (realized and unrealized)	<u>(47,532)</u>	<u>-</u>	<u>-</u>	<u>(47,532)</u>
Total investment return	<u>(47,532)</u>	<u>24,447</u>	<u>-</u>	<u>(23,085)</u>
Funds invested in endowment	<u>527,983</u>	<u>-</u>	<u>-</u>	<u>527,983</u>
Net assets released from restrictions	<u>24,447</u>	<u>(24,447)</u>	<u>-</u>	<u>-</u>
Total funds	<u>\$ 1,410,539</u>	<u>\$ -</u>	<u>\$ 217,600</u>	<u>\$ 1,628,139</u>

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NOTE Q - ENDOWMENT FUND - CONTINUED

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 **NOTE 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 temporarily restricted net assets. Distributions are considered as a release from restriction from the temporarily restricted net assets. There is to be no invasion of the original principal of the gift given to the Free Clinic unless the donor instructs otherwise.

NOTE R - FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

Equity securities - Comprised of common stock valued at the closing price reported in the active market in which the individual securities are traded.

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 R - FAIR VALUE OF FINANCIAL INSTRUMENTS - CONTINUED

Certificates of Deposit - Valued at face value plus accrued interest which approximates fair value.
The fair values of assets measured on a recurring basis at September 30, 2016 are as follows:

	<u>Fair Value Measurements at Reporting Date Using</u>			
	Assets Measured at Fair Value at September 30, 2016	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market funds	\$ 750,558	\$ 750,558	\$ -	\$ -
Mutual funds	1,456,010	1,456,010	-	-
Certificates of deposit	205,658	-	205,658	-
Equities	35,865	35,865	-	-
Beneficial interest in assets held by others	169,164	-	169,164	-
	<u>\$ 2,617,255</u>	<u>\$ 2,242,433</u>	<u>\$ 374,822</u>	<u>\$ -</u>

The fair values of assets measured on a recurring basis at September 30, 2015 are as follows:

	<u>Fair Value Measurements at Reporting Date Using</u>			
	Assets Measured at Fair Value at September 30, 2015	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market funds	\$ 923,255	\$ 923,255	\$ -	\$ -
Mutual funds	1,338,814	1,338,814	-	-
Certificates of deposit	203,621	-	203,621	-
Beneficial interest in assets held by others	167,256	-	167,256	-
	<u>\$ 2,632,946</u>	<u>\$ 2,262,069</u>	<u>\$ 370,877</u>	<u>\$ -</u>

**ST. PETERSBURG FREE CLINIC, INC.
AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2016 AND 2015**

NOTE S - SUBSEQUENT EVENTS

The Free Clinic has evaluated all subsequent events through January 12, 2017, the date the consolidated financial statements were available and issued. The Free Clinic is not aware of any subsequent events which would require recognition or disclosure in the consolidated financial statements.



**INDEPENDENT AUDITOR'S 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**

Board of Directors
St. Petersburg Free Clinic, Inc.

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 consolidated financial statements of St. Petersburg Free Clinic, Inc. and Affiliate (the Free Clinic), which comprise the consolidated statement of financial position as of September 30, 2016, and the related consolidated statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated January 12, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Free Clinic'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 consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Free Clinic's internal control. Accordingly, we do not express an opinion on the effectiveness of the Free Clinic'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 consolidated 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.

CONTINUED

**INDEPENDENT AUDITOR'S 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 - CONTINUED**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Free Clinic's consolidated financial statements are free of 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 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 Free Clinic'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 Free Clinic's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

PDR Certified Public Accountants

Clearwater, Florida
January 12, 2017