



Financial Statements  
December 31, 2014 and 2013  
**Maliheh Free Clinic**

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CPAs & BUSINESS ADVISORS

## Independent Auditor's Report

To the Board of Directors of  
Maliheh Free Clinic  
Salt Lake City, Utah

### Report on the Financial Statements

We have audited the accompanying financial statements of Maliheh Free Clinic (a nonprofit organization), which comprise the statements of financial position as of December 31, 2014 and 2013, and the related statements of activities, functional expenses, and cash flows for 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 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 financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 auditor's 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 Maliheh Free Clinic as of December 31, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Salt Lake City, Utah  
June 18, 2015

Maliheh Free Clinic  
Statements of Financial Position  
December 31, 2014 and 2013

	2014	2013
Assets		
Current assets:		
Cash and cash equivalents	\$ 119,766	\$ 176,782
Contributions receivable	107,500	10,000
Total current assets	227,266	186,782
Property and equipment, net	803,503	843,797
Endowment	2,580,105	2,407,318
	\$ 3,610,874	\$ 3,437,897
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 19,525	\$ 10,354
Accrued payroll and related	39,357	38,210
Total current liabilities	58,882	48,564
Net assets		
Unrestricted		
Undesignated	30,289	113,217
Property and equipment	327,835	353,296
Total unrestricted net assets	358,124	466,513
Temporarily restricted	1,133,868	862,820
Permanently restricted	2,060,000	2,060,000
Total net assets	3,551,992	3,389,333
	\$ 3,610,874	\$ 3,437,897

Maliheh Free Clinic  
Statements of Activities  
Years Ended December 31, 2014 and 2013

	2014	2013
Unrestricted net assets		
Support		
Private donors	\$ 403,628	\$ 434,721
Private donors - in-kind	1,725,681	1,565,372
Special events	85,828	161,800
Less: cost of direct benefits to donors	(7,310)	(6,600)
Net assets released from restrictions	93,405	143,938
Total unrestricted support	2,301,232	2,299,231
Expenses		
Program services	2,285,877	2,104,123
Supporting services		
Management and general	58,996	54,318
Fundraising	64,748	60,909
Total expenses	2,409,621	2,219,350
Change in unrestricted net assets	(108,389)	79,881
Temporarily restricted net assets:		
Revenue, Support, and Gains		
Private donors	91,666	79,003
Special events	100,000	-
Net investment gain and interest income	172,787	333,310
Net assets released from restrictions	(93,405)	(143,938)
Change in temporarily restricted net assets	271,048	268,375
Change in net assets	162,659	348,256
Net Assets, Beginning of Year	3,389,333	3,041,077
Net Assets, End of Year	\$ 3,551,992	\$ 3,389,333

Maliheh Free Clinic  
Statement of Functional Expense  
Year Ended December 31, 2014

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Payroll and related costs	\$ 376,069	\$ 40,583	\$ 38,008	\$ 454,660
Professional services	1,725,681	7,645	26,055	1,759,381
Gala expenses	-	-	7,310	7,310
Medical supplies	49,733	-	-	49,733
Medicines	2,278	-	-	2,278
Cataract surgeries	900	-	-	900
Cancer screening	12,670	-	-	12,670
Office	31,003	2,569	685	34,257
Maintenance	19,042	1,544	-	20,586
Utilities	15,118	1,226	-	16,344
Insurance	5,100	1,514	-	6,614
Depreciation	48,283	3,915	-	52,198
	<u>2,285,877</u>	<u>58,996</u>	<u>72,058</u>	<u>2,416,931</u>
Less expenses included with revenues on the statement of activities				
Cost of direct benefits to donors	<u>-</u>	<u>-</u>	<u>(7,310)</u>	<u>(7,310)</u>
Total expenses	<u>\$ 2,285,877</u>	<u>\$ 58,996</u>	<u>\$ 64,748</u>	<u>\$ 2,409,621</u>

Maliheh Free Clinic  
Statement of Functional Expense  
Year Ended December 31, 2013

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Payroll and related costs	\$ 363,674	\$ 36,625	\$ 34,450	\$ 434,749
Professional services	1,565,372	7,853	25,938	1,599,163
Gala expenses	-	-	6,600	6,600
Medical supplies	40,871	-	-	40,871
Medicines	5,863	-	-	5,863
Cataract surgeries	9,680	-	-	9,680
Cancer screening	7,894	-	-	7,894
Office	23,577	1,954	521	26,052
Maintenance	20,082	1,628	-	21,710
Utilities	16,166	1,311	-	17,477
Insurance	5,057	1,227	-	6,284
Depreciation	45,886	3,721	-	49,607
	<u>2,104,123</u>	<u>54,318</u>	<u>67,509</u>	<u>2,225,950</u>
Less expenses included with revenues on the statement of activities				
Cost of direct benefits to donors	<u>-</u>	<u>-</u>	<u>(6,600)</u>	<u>(6,600)</u>
Total expenses	<u>\$ 2,104,123</u>	<u>\$ 54,318</u>	<u>\$ 60,909</u>	<u>\$ 2,219,350</u>

Maliheh Free Clinic  
 Statements of Cash Flows  
 Years Ended December 31, 2014 and 2013

	2014	2013
Operating Activities		
Change in net assets	\$ 162,659	\$348,256
Adjustments to reconcile change in net assets to net cash from (used for) operating activities		
Depreciation	52,198	49,607
Investment gain	(172,787)	(333,310)
Changes in operating assets and liabilities		
Contributions receivable	(97,500)	-
Accounts payable	9,171	7,364
Accrued payroll and related	1,147	(955)
Net Cash from (used for) Operating Activities	(45,112)	70,962
Investing Activities		
Purchase of property and equipment	(11,904)	(79,106)
Net Cash used for Investing Activities	(11,904)	(79,106)
Net Change in Cash and Cash Equivalents	(57,016)	(8,144)
Cash and Cash Equivalents, Beginning of Year	176,782	184,926
Cash and Cash Equivalents, End of Year	\$ 119,766	\$ 176,782



## **Note 1 - Summary of Significant Accounting Policies**

### **Organization**

Maliheh Free Clinic (the Clinic) is a non-profit corporation organized in the State of Utah in 2005. The Clinic provides free-of-charge medical, health and pharmaceutical services for uninsured individuals.

### **Cash and Cash Equivalents**

The Clinic considers all cash and highly liquid financial instruments with original maturities of three months or less, and which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. Cash and highly liquid financial instruments restricted to capital expenditures, permanent endowment, or other long-term purposes of the Clinic are excluded from this definition.

### **Contributions Receivable**

Contributions receivable are expected to be collected within one year and are recorded at net realizable value. Management determines the allowance for uncollectable contributions receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Contributions receivable are written off when deemed uncollectable. No allowance for uncollectable contributions was recorded at December 31, 2014 and 2013.

### **Investments**

Investment purchase are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statement of financial position. Net investment gain/(loss) is reported in the statement of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less investment management and custodial fees.

### **Property and Equipment**

Property and equipment additions are recorded at cost, or if donated, at fair value on the date of donation. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets ranging from three to thirty years. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any remaining gain or loss is included in the statement of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

In the absence of donor stipulations regarding how long contributed assets must be used, the Clinic has adopted a policy of implying a time restriction on contributions of such assets that expires over the assets' useful lives. As a result, all contributions of property and equipment are recorded as temporarily restricted support. Subsequently, as depreciation or amortization expense is recognized, temporarily restricted net assets are released and reclassified to unrestricted net assets.

The Clinic reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of impairment during the years ended December 31, 2014 and 2013.

## **Net Assets**

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Unrestricted* – Net assets available for use in general operations. Unrestricted board-designated net assets consist of net assets designated by the Board of Directors for operating reserve and quasi-endowment.

*Temporarily Restricted* – Net assets subject to donor restrictions that may or will be met by expenditures or actions of the Clinic and/or the passage of time, and certain income earned on permanently restricted net assets that has not yet been appropriated for expenditure by the Clinic's Board of Directors.

The Clinic reports contributions 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.

*Permanently Restricted* – Net assets whose use is limited by donor-imposed restrictions that neither expire by the passage of time nor can be fulfilled or otherwise removed by the action of the Clinic. The restrictions stipulate that resources be maintained permanently but permit the Clinic to expend the income generated in accordance with the provisions of the agreements.

## **Contributions**

Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

## **Donated Services and In-Kind Contributions**

Volunteers contribute significant amounts of time to the Clinic's program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation. The Clinic records donated professional services at the respective fair values of the services received.

## **Functional Expenses**

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

## **Income Tax Status**

The Clinic is organized as a Utah nonprofit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3), qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi),

and has been determined not to be a private foundation under Section 509(a)(1). The Clinic is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Clinic is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purpose. The Clinic has determined it is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

The Clinic believes that it has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. The Clinic would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred. The Clinic's forms 990 are no longer subject to tax examination for years before 2011.

### **Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and those differences could be material.

### **Concentrations of Credit Risk**

The Clinic manages deposit concentration risk by placing cash, money market accounts, and certificates of deposit with financial institutions believed by management to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, the Clinic has not experienced losses in any of these accounts. Investment decisions are made by management and the Board of Directors. Although the fair values of investments are subject to fluctuation on a year-to-year basis, management and the Board of Directors believe that the investment policies and guidelines are prudent for the long-term welfare of the Clinic.

### **Subsequent Events**

The Clinic has evaluated subsequent events through June 18, 2015, the date the financial statements were available to be issued.

## **Note 2 - Fair Value Measurements and Disclosures**

Certain assets and liabilities are reported at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the Clinic can access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset or liability. In these situations, the Clinic develops inputs using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to the Clinic’s assessment of the quality, risk or liquidity profile of the asset or liability.

All of the Clinic’s investment assets are classified within Level 1 because they are comprised of open-end mutual funds with readily determinable fair values based on daily redemption values.

The following table presents assets and liabilities measured at fair value on a recurring basis at December 31, 2014:

Description	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 2,580,105	\$ -	\$ -	\$ 2,580,105
Total	<u>\$ 2,580,105</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,580,105</u>

The following table presents assets and liabilities measured at fair value on a recurring basis at December 31, 2013:

Description	Level 1	Level 2	Level 3	Total
Cash, money market funds and cash equivalents	\$ 2,407,318	\$ -	\$ -	\$ 2,407,318
Total	<u>\$ 2,407,318</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,407,318</u>

**Note 3 - Property and Equipment**

Property and equipment consists of the following:

	2014	2013
Land	\$ 90,000	\$ 90,000
Building	695,000	695,000
Building improvements	85,707	85,707
Medical equipment	191,889	182,219
Computer equipment	16,423	14,189
	1,079,019	1,067,115
Less accumulated depreciation	(275,516)	(223,318)
	\$ 803,503	\$ 843,797

Included in property and equipment is donated land and building totaling \$535,000 (see Note 4).

**Note 4 - Donated Property**

During the year ended December 31, 2010, the Clinic was deeded the building it occupies and leases. The land and building were contributed by an entity controlled by a member of the board of directors. The land and building were contributed to the Clinic through a special warranty deed with certain reversionary rights and rights of conveyance. If the Clinic ceases to use the property to provide healthcare services to the public without charge or ceases to be a qualified charity pursuant to provisions of Section 501(c)(3) of the Internal Revenue Code, all fee title to the property shall automatically revert and be conveyed to a separate entity controlled by this board member. At the time of donation, the property had an appraised value of \$535,000. Accordingly, this contribution of land and building has been recorded as a temporarily restricted net asset.

**Note 5 - Net Investment Return**

Net investment return consists of the following:

	2014	2013
Endowment investments		
Interest and dividends	\$ 53,094	\$ 45,560
Net realized and unrealized gain	119,693	287,750
	\$ 172,787	\$ 333,310

**Note 6 - Endowment Funds**

The Clinic's endowment (the Endowment) consists of one individual fund established by donors to provide funding for general operations. Net assets associated with the endowment fund are classified and reported based on the existence or absence of donor-imposed restrictions.

The Clinic's Board of Directors has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. As of December 31, 2014 and 2013, there were no such donor stipulations. As a result of this interpretation, the Clinic classified as permanently restricted net assets (a) the original value of gifts donated to the Endowment, (b) the original value of subsequent gifts donated to the Endowment (including promises to give net of discount and allowance for doubtful accounts, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. The remaining portion of the donor-restricted endowment is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Clinic in a manner consistent with the standard of prudence prescribed by UPMIFA. The Clinic considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the organization
- The investment policies of the organization

The Clinic has adopted investment and spending policies for the Endowment that attempt to provide a predictable stream of funding for operations while seeking to maintain the purchasing power of the endowment assets. The Clinic's policy is to invest its endowment funds in diverse, conservative investments.

Changes in Endowment net assets for the years ending December 31, 2014 and 2013 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Investments at December 31, 2012	\$ -	\$ 14,008	\$ 2,060,000	\$ 2,074,008
Investment returns and dividends and interest	-	333,310	-	333,310
Investments at December 31, 2013	-	347,318	2,060,000	2,407,318
Investment returns and dividends and interest	-	172,787	-	172,787
Investments at December 31, 2014	<u>\$ -</u>	<u>\$ 520,105</u>	<u>\$ 2,060,000</u>	<u>\$ 2,580,105</u>

**Note 7 - Temporarily Restricted Net Assets**

Temporarily restricted net assets consist of the following:

	2014	2013
Mammography	\$ 30,265	\$ 15,001
Endowment fund earnings	520,105	347,318
X-Ray equipment	330	-
Land and building	475,668	490,501
Contributions receivable that are not restricted by donors, but which are unavailable for expenditure until due	107,500	10,000
	\$ 1,133,868	\$ 862,820

**Note 8 - Permanently Restricted Net Assets**

Permanently restricted net assets total \$2,060,000 at December 31, 2014 and 2013 and consist of endowment funds restricted by donors for investment in perpetuity. The funds are held in the Clinic's "Semnani Endowment Fund." Investment and dividend and interest income earned in the Semnani Endowment Fund is available for unrestricted use in Clinic operations at the discretion of the Clinic's board of directors.

**Note 9 - Donated Professional Services and Materials**

The Clinic received donated professional services and materials as follows:

	2014	2013
Medical and dental professionals	\$ 671,987	\$ 787,973
Diagnostic services	818,145	541,216
Lab services	235,549	236,183
	\$ 1,725,681	\$ 1,565,372

**Note 10 - Related Party Transactions**

The Clinic received contributions from two entities controlled by two members of the board of directors. These entities made total unrestricted contributions of \$135,025 and \$160,000 during the years ended December 31, 2014 and 2013.

**Note 11 - Contingencies**

The Clinic is subject to the usual contingencies in the normal course of operations relating to the performance of its tasks under its various programs. In the opinion of management, the ultimate settlement of any litigation, claims, and disputes in process will not be material to the financial position, operations, or cash flows of the Clinic.