



Financial Statements
December 31, 2017 and 2016
Maliheh Free Clinic

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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, 2017 and 2016, 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, 2017 and 2016, 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
August 1, 2018

Maliheh Free Clinic
Statements of Financial Position
December 31, 2017 and 2016

	2017	2016
Assets		
Current Assets		
Cash and cash equivalents	\$ -	\$ 146,745
Contributions receivable	51,101	25,350
Total current assets	51,101	172,095
Cash - Restricted to Building Project	468,186	120,000
Contributions Receivable - Restricted to Building Project	254,855	-
Property and Equipment, Net	728,529	736,381
Endowment	4,543,344	3,811,130
	\$ 6,046,015	\$ 4,839,606
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 10,760	\$ 7,869
Accrued payroll and related liabilities	51,252	51,326
Total current liabilities	62,012	59,195
Net Assets (Deficit)		
Unrestricted		
Undesignated	(99,564)	61,449
Property and equipment	297,360	290,379
Total unrestricted net assets	197,796	351,828
Temporarily restricted	2,736,207	1,378,583
Permanently restricted	3,050,000	3,050,000
Total net assets	5,984,003	4,780,411
	\$ 6,046,015	\$ 4,839,606

Maliheh Free Clinic
Statements of Activities
Years Ended December 31, 2017 and 2016

	2017	2016
Unrestricted Net Assets		
Revenue, Support, and Gains		
Private donors	\$ 487,146	\$ 530,578
Private donors - in-kind	2,408,496	2,038,454
Gross special events revenue	213,726	248,291
Less cost of direct benefits to donors	(18,785)	(8,306)
Net special events revenue	194,941	239,985
Net assets released from restrictions	149,417	134,588
Total unrestricted revenue, support and gains	3,240,000	2,943,605
Expenses		
Program services	3,203,856	2,793,260
Supporting services		
Management and general	69,767	69,130
Fundraising	120,409	70,043
Total expenses	3,394,032	2,932,433
Change in unrestricted net assets	(154,032)	11,172
Temporarily Restricted Net Assets		
Revenue, Support, and Gains		
Private donors	774,827	122,696
Net investment return	732,214	271,337
Net assets released from restrictions	(149,417)	(134,588)
Change in temporarily restricted net assets	1,357,624	259,445
Permanently Restricted Net Assets		
Revenue, Support, and Gains		
Foundation donations	-	540,000
Change in permanently restricted net assets	-	540,000
Change in net assets	1,203,592	810,617
Net Assets, Beginning of Year	4,780,411	3,969,794
Net Assets, End of Year	\$ 5,984,003	\$ 4,780,411

Maliheh Free Clinic
Statement of Functional Expenses
Year Ended December 31, 2017

	Program Services	Management and General	Fundraising	Total
Payroll and related costs	\$ 607,174	\$ 49,520	\$ 41,149	\$ 697,843
Professional services	2,408,496	10,129	78,809	2,497,434
Gala expenses	-	-	18,785	18,785
Medical supplies	44,851	-	-	44,851
Medicines	2,205	-	-	2,205
Cataract surgeries	1,500	-	-	1,500
Cancer screening	31,665	-	-	31,665
Office	20,404	1,691	451	22,546
Maintenance	15,021	1,218	-	16,239
Utilities	16,811	1,363	-	18,174
Insurance	4,194	1,667	-	5,861
Depreciation	51,535	4,179	-	55,714
	<u>3,203,856</u>	<u>69,767</u>	<u>139,194</u>	<u>3,412,817</u>
Less expenses included with revenues on the statement of activities				
Cost of direct benefits to donors	<u>-</u>	<u>-</u>	<u>(18,785)</u>	<u>(18,785)</u>
Total expenses included in the expense section on the statement of activities	<u>\$ 3,203,856</u>	<u>\$ 69,767</u>	<u>\$ 120,409</u>	<u>\$ 3,394,032</u>

Maliheh Free Clinic
Statement of Functional Expenses
Year Ended December 31, 2016

	Program Services	Management and General	Fundraising	Total
Payroll and related costs	\$ 572,608	\$ 48,583	\$ 44,459	\$ 665,650
Professional services	2,038,454	10,396	25,033	2,073,883
Gala expenses	-	-	8,306	8,306
Medical supplies	45,737	-	-	45,737
Medicines	930	-	-	930
Cataract surgeries	152	-	-	152
Cancer screening	29,265	-	-	29,265
Office	24,955	2,068	551	27,574
Maintenance	14,662	1,189	-	15,851
Utilities	15,532	1,259	-	16,791
Insurance	5,351	1,937	-	7,288
Depreciation	45,614	3,698	-	49,312
	<u>2,793,260</u>	<u>69,130</u>	<u>78,349</u>	<u>2,940,739</u>
Less expenses included with revenues on the statement of activities				
Cost of direct benefits to donors	<u>-</u>	<u>-</u>	<u>(8,306)</u>	<u>(8,306)</u>
Total expenses included in the expense section on the statement of activities	<u>\$ 2,793,260</u>	<u>\$ 69,130</u>	<u>\$ 70,043</u>	<u>\$ 2,932,433</u>

Maliheh Free Clinic
Statements of Cash Flows
Years Ended December 31, 2017 and 2016

	2017	2016
Operating Activities		
Change in net assets	\$ 1,203,592	\$ 810,617
Adjustments to reconcile change in net assets to net cash used for operating activities		
Depreciation	55,714	49,312
Net investment return	(732,214)	(271,337)
Contributions restricted to building project	(676,379)	(120,000)
Contributions restricted to endowment	-	(540,000)
Changes in operating assets and liabilities		
Contributions receivable	(25,751)	38,598
Accounts payable	2,891	3,350
Accrued payroll and related	(74)	550
Net Cash used for Operating Activities	(172,221)	(28,910)
Investing Activities		
Purchases of property and equipment	(47,862)	(22,736)
Addition to cash restricted for building project	(348,186)	(120,000)
Addition to endowment	-	(990,000)
Net Cash used for Investing Activities	(396,048)	(1,132,736)
Financing Activities		
Collection of contributions restricted to building project	421,524	120,000
Collection of foundation donations restricted to endowment	-	990,000
Net Cash from Financing Activities	421,524	1,110,000
Net Change in Cash and Cash Equivalents	(146,745)	(51,646)
Cash and Cash Equivalents, Beginning of Year	146,745	198,391
Cash and Cash Equivalents, End of Year	\$ -	\$ 146,745

Note 1 - Principal Activity and Significant Accounting Policies

Organization

Maliheh Free Clinic (the Clinic) is a nonprofit 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, 2017 and 2016.

Property and Equipment

Property and equipment additions are recorded at cost, or if donated, at fair value on the date of donation. Depreciation is 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 are removed from the accounts, and any remaining gain or loss is included in the statements 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 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, 2017 and 2016.

Investments

Investment purchases 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 statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less investment management and custodial fees.

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.

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 Taxes

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), and 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.

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 August 1, 2018 the date the financial statements were available to be issued.

Note 2 - Fair Value Measurements and Disclosures

Certain assets 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 measured at fair value on a recurring basis at December 31, 2017:

Description	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 4,543,344	\$ -	\$ -	\$ 4,543,344

The following table presents assets measured at fair value on a recurring basis at December 31, 2016:

Description	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 3,811,130	\$ -	\$ -	\$ 3,811,130

Note 3 - Property and Equipment

Property and equipment consists of the following:

	2017	2016
Land	\$ 90,000	\$ 90,000
Building	695,000	695,000
Building improvements	85,707	85,707
Medical equipment	221,752	211,106
Computer equipment	28,818	28,818
Construction in progress	37,216	-
	1,158,493	1,110,631
Less accumulated depreciation	(429,964)	(374,250)
	\$ 728,529	\$ 736,381

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. 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. In accordance with the Clinic's policy for donations of this nature, this contribution of land and building has been recorded as a temporarily restricted net asset. At December 31, 2017 and 2016, the net book value of this property is \$431,169 and \$446,002.

Note 5 - Net Investment Return

Net investment return consists of the following:

	2017	2016
Endowment investments		
Interest and dividends	\$ 93,481	\$ 77,822
Net realized and unrealized gain	638,733	193,515
	\$ 732,214	\$ 271,337

Note 6 - Endowment

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, 2017 and 2016, 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, 2017 and 2016 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment at December 31, 2015	\$ -	\$ 489,793	\$ 2,510,000	\$ 2,999,793
Contributions	-	-	540,000	540,000
Investment returns and dividends and interest	-	271,337	-	271,337
Endowment at December 31, 2016	-	761,130	3,050,000	3,811,130
Contributions	-	-	-	-
Investment returns and dividends and interest	-	732,214	-	732,214
Endowment at December 31, 2017	<u>\$ -</u>	<u>\$ 1,493,344</u>	<u>\$ 3,050,000</u>	<u>\$ 4,543,344</u>

Note 7 - Temporarily Restricted Net Assets

Temporarily restricted net assets consist of the following:

	2017	2016
Mammography	\$ 1,429	\$ 26,101
Endowment fund earnings	1,493,345	761,130
Building project	759,163	120,000
Land and building (Note 4)	431,169	446,002
Contributions receivable that are not restricted by donors, but which are unavailable for expenditure until due	51,101	25,350
	\$ 2,736,207	\$ 1,378,583

Note 8 - Permanently Restricted Net Assets

Permanently restricted net assets total \$3,050,000 at December 31, 2017 and 2016 and consist of endowment funds restricted by donors for investment in perpetuity. The funds are held in the Clinic's "Semnani Endowment Fund." Investment, 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:

	2017	2016
Medical and dental professionals	\$ 879,643	\$ 881,840
Diagnostic services	1,192,260	836,004
Lab services	336,593	320,610
	\$ 2,408,496	\$ 2,038,454

Note 10 - Related Party Transactions and Concentration

The Clinic receives significant contributions from entities controlled by a member of the board of directors. These entities made total unrestricted contributions of \$102,915 and \$110,000 during the years ended December 31, 2017 and 2016, total temporarily restricted contributions of \$0 and \$50,000 during the years ended December 31, 2017 and 2016, and total permanently restricted contributions of \$0 and \$540,000 for the years ended December 31, 2017 and 2016. The loss of these key donors could significantly impact the Clinic's financial statements.

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.

Note 12 - Intention to Give

As of December 31, 2017 and through the date of issuance of these financial statements, the Clinic is in discussions with a key donor, who is an entity controlled by a member of the board of directors, relating to a discounted lease rate at a new larger facility. Through December 31, 2017, the Organization has incurred construction in progress costs relative to the expected buildout of the leased space (Note 3). Related thereto, the Clinic is negotiating with the same key donor terms of relieving its commitment to provide free healthcare services at their current location (Note 4). As of December 31, 2017 and as of the date of issuance of these financial statements, a formal agreement and precise terms have not been determined and accordingly, the Clinic has not accounted for the potential effects these transactions are expected to have.