



**Financial Statements**

**Fiscal Year Ended June 30, 2023**

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**LAKE COUNTY FREE CLINIC, INC.**

**Financial Statements**

**Fiscal Year Ended June 30, 2023**

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BEATREZ & COMPANY CPAs  
accountants and business advisors

Hilary Frank Beatrez, CPA

Paula E. Beatrez, CPA

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**INDEPENDENT ACCOUNTANT'S REVIEW REPORT**

We have reviewed the accompanying financial statements of Lake County Free Clinic, Inc., which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses, and cash flows for the fiscal year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

**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.

**Accountant's Responsibility**

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

We are required to be independent of Lake County Free Clinic, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

INDEPENDENT ACCOUNTANT'S REVIEW REPORT, continued  
Page 2

**Accountant's Conclusion**

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

*Beatriz & Company CPAs*

December 19, 2023  
North Olmsted, Ohio

**LAKE COUNTY FREE CLINIC, INC.**  
**Statement of Financial Position**  
**June 30, 2023**

ASSETS:

Cash and cash equivalents	\$	163,444	
Grants and other receivables		132,500	
Marketable securities		6,800	
Prepaid expenses		5,783	
Property and equipment, net		661,953	
 Total ASSETS			\$ 970,480

LIABILITIES:

Accounts payable, operating	\$	25,427	
Accounts payable, capital		18,960	
Accrued expenses		33,870	
Refundable advances		8,333	
Notes payable		313,500	
Total LIABILITIES			400,090

NET ASSETS:

Without donor restrictions		403,734	
With donor restrictions		166,656	
Total NET ASSETS			570,390
 Total LIABILITIES and NET ASSETS			\$ 970,480

See notes to financial statements

**LAKE COUNTY FREE CLINIC, INC.**  
**Statement of Activities**  
**Fiscal Year Ended June 30, 2023**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>TOTAL</u>
<u>SUPPORT, REVENUE, GAINS, LOSSES</u>			
Contributions, operating cash and pledges	\$ 327,663	\$ 140,656	\$ 468,319
Contributions, in-kind (nonfinancial)	229,916	-	229,916
Contributions, capital	-	298,370	298,370
Investment total return	1,700	-	1,700
Rental income	2,500	-	2,500
Other income	244	-	244
Net assets released from restrictions	711,625	(711,625)	-
Total SUPPORT, REVENUE, GAINS, LOSSES	1,273,648	(272,599)	1,001,049
<u>EXPENSES</u>			
Program services	674,032		674,032
Management and general	105,405		105,405
Fundraising	129,580		129,580
Total EXPENSES	909,017		909,017
CHANGES IN NET ASSETS	364,631	(272,599)	92,032
NET ASSETS - BEGINNING OF YEAR	39,103	439,255	478,358
NET ASSETS - END OF YEAR	<u>\$ 403,734</u>	<u>\$ 166,656</u>	<u>\$ 570,390</u>

See notes to financial statements

**LAKE COUNTY FREE CLINIC, INC.**  
**Statement of Functional Expenses**  
**Fiscal Year Ended June 30, 2023**

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>TOTAL</u>
Personnel costs	\$ 325,816	\$ 49,366	\$ 118,478	\$ 493,660
Pharmaceuticals and other				
medical and dental supplies	118,222	-	-	118,222
Medical and dental services	124,367	-	-	124,367
Laboratory fees	13,175	-	-	13,175
Occupany	24,216	14,853	3,175	42,244
Information technology	17,059	1,492	3,581	22,132
Accounting	-	19,272	-	19,272
Office supplies	4,457	400	960	5,817
Consulting	1,526	-	5,000	6,526
Insurance	2,685	1,870	240	4,795
Financing costs	9,500	6,616	848	16,964
Other expense	8,661	12,823	1,361	22,845
Advertising	-	247	-	247
Depreciation	10,501	7,313	937	18,751
<b>Total EXPENSES</b>	<u><u>\$ 660,185</u></u>	<u><u>\$ 114,252</u></u>	<u><u>\$ 134,580</u></u>	<u><u>\$ 909,017</u></u>

See notes to financial statements

**LAKE COUNTY FREE CLINIC, INC.**  
**Statement of Cash Flows**  
**Fiscal Year Ended June 30, 2023**

<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>	
Changes in net assets	\$ 92,032
Adjustments to reconcile changes in net assets to net cash flows from operating activities:	
Depreciation	18,751
Unrealized loss (gain) on investments	(1,533)
Collection of contributions restricted for investment in property and equipment	(298,370)
Change in grants and other receivables	6,423
Change in prepaid expenses	(8)
Change in accounts payable	18,820
Change in accrued expenses	4,104
Change in refundable advances	(23,334)
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>(183,115)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>	
Purchase of property and equipment	(120,293)
NET CASH FLOWS FROM INVESTING ACTIVITIES	<u>(120,293)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES:</u>	
Payments on loan principal	(251,500)
Collection of contributions restricted for investment in property and equipment	298,370
NET CASH FLOWS FROM FINANCING ACTIVITIES	<u>46,870</u>
CHANGE IN CASH AND CASH EQUIVALENTS	(256,538)
CASH AND CASH EQUIVALENTS, BEGINNING	<u>419,982</u>
CASH AND CASH EQUIVALENTS, ENDING	<u><u>\$ 163,444</u></u>
<u>SUPPLEMENTAL DISCLOSURE:</u>	
Cash paid for loan interest	\$ 13,597

See notes to financial statements



**LAKE COUNTY FREE CLINIC, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**Fiscal Year Ended June 30, 2023**

**Note 1. Description of the Organization**

Clinic

Lake County Free Clinic, Inc. (the "Clinic"), a nonprofit corporation, is organized to address the unmet health care and dental needs of the residents of Lake County, Ohio and its surrounding communities.

The Clinic provides chronic care, acute care, women's health care, preventive care, vision screenings, on-site pharmacy and laboratory services, and case management services. Patients are not charged for services.

Tax Status

The Clinic has been classified as a public charity and is tax-exempt under Section 501(c)(3) of the Internal Revenue Code.

The Clinic is subject to routine audits by taxing jurisdictions. However, there are currently no audits in progress for any open tax periods. The Clinic believes it is no longer subject to income tax examinations for years prior to the fiscal year that ended June 30, 2020.

The Clinic is also subject to Unrelated Business Income Tax ("UBIT") on net revenues that are not related to the Clinic's mission and do not fall under one of the statutory exceptions to the income tax. The Clinic had taxable rental activity during the fiscal year ended June 30, 2023 that produced a loss of \$2,644 that can be carried forward and applied against future taxable income on that activity. The future tax benefit totals \$559.

**Note 2. Summary of Significant Accounting Policies**

Basis of Accounting

The Clinic prepares its financial statements on the accrual basis of accounting. Accordingly, the financial statements reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

The Clinic reports information regarding its financial position and activities according to the following two classes of net assets:

Net assets without donor restrictions: These comprise net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Clinic. The Clinic's board of directors or management may designate assets without restrictions for specific purposes from time to time.

Net assets with donor restrictions: These comprise net assets subject to stipulations imposed by donors. Some donor restrictions are temporary in nature because those restrictions will be met by actions of the Clinic or by the passage of time. Other donor restrictions are perpetual in nature because the donor has stipulated the funds or property be maintained in perpetuity.

**LAKE COUNTY FREE CLINIC, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**Fiscal Year Ended June 30, 2023**

**Note 2. Summary of Significant Accounting Policies, continued**

Contributions:

Unconditional contributions are recognized when pledged and recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Gifts of cash and other assets are reported with donor restricted support if they are received with donor stipulations that limit the use of the donated assets. When a restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Donations of property and equipment are recorded as support at their estimated fair value at the date of donation.

Contributions of cash or other assets restricted to the acquisition of long-lived assets are recorded as donor-restricted. If there are no donor restrictions on the long-lived asset's use, the donor restrictions are considered met once the long-lived assets are placed in service and the net assets with donor restrictions are reclassified to the net assets without donor restrictions class.

Cash and Equivalents

The Clinic considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. Cash and equivalents that are held for long-term purposes are not reported with cash in the statements of financial position and cash flows.

Concentration of Risk

The Clinic has funds on hand at financial institutions which may, at times, exceed federally insured amounts.

The Clinic relies heavily on contributions from philanthropic entities that support community health services in the Lake County, Ohio region. Significant reductions in funding from one or more of these entities could have a dramatic negative effect on the operations of the Clinic. The Clinic received \$130,000 from its United Way allocation during the fiscal year that ended June 30, 2023 which represents 28% of its operating contributions.

Use of Estimates

Management uses estimates and assumptions in preparing its financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenue and expenses. Actual results could differ from those estimates.

Functional Expense Classification

The costs of providing various programs and other activities have been classified on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Such allocations are determined by management on an equitable basis. Personnel costs, various office expenses, and travel are allocated based on time and effort by staff. Occupancy and depreciation are allocated based on space utilization.

**LAKE COUNTY FREE CLINIC, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**Fiscal Year Ended June 30, 2023**

**Note 2. Summary of Significant Accounting Policies, continued**

Fair Value Measurements

The Clinic measures its financial instruments at fair value, which is the price that would be expected to be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Accounting principles and standards established a three-level hierarchy for disclosure to show the extent and the level of judgment used to estimate fair value measurements:

Level 1: Valuations for assets and liabilities traded in active exchange markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2: Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or similar assets or liabilities.

Level 3: Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques and not based on market exchange, dealer, or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

Financial assets and liabilities are classified in their entirety based on the lowest level of input significant to the fair value measurement. The Clinic's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of assets and liabilities within the fair value hierarchy levels. The Clinic's investments in marketable securities are all based on Level 1 inputs at June 30, 2023.

Advertising

The Clinic uses advertising to promote its programs. The production costs of advertising are expensed as incurred.

Subsequent Events

The Clinic has evaluated subsequent events for potential recognition and/or disclosure through December 19, 2023, the date the financial statements were available to be issued.

**LAKE COUNTY FREE CLINIC, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**Fiscal Year Ended June 30, 2023**

**Note 3. Contributions of Nonfinancial Assets**

Physicians, dentists, and other licensed medical professionals donate their services to the Clinic. The value of these donated services is determined by stated hourly rates in the U.S. Bureau of Labor Statistics database.

Medical vendors donate pharmaceutical, medical, and dental supplies to the Clinic. The value of these donated items is determined by the wholesale price that the Clinic would otherwise pay to purchase the supplies. Donated supplies are dispensed, free of charge, to the Clinic's patients. Agreements with suppliers require that pharmaceuticals that are not dispensed to Clinic patients be either returned to the vendors or destroyed. The Clinic records in-kind contribution revenue from these donated supplies when the supplies are dispensed along with the offsetting pharmaceuticals and other medical and dental supplies expense.

The Clinic uses volunteers for various support and fundraising activities. The value of these services is not recorded in the financial statements.

The Clinic recorded the following in-kind contributions in the statement of activities during the fiscal year that ended June 30, 2023:

Pharmaceuticals and other medical supplies	\$	105,549
Services of physicians, dentists and other licensed medical professionals		124,367
		\$ 229,916

**Note 4. Liquidity and Availability of Financial Assets**

The following reflects the Clinic's financial assets as of the statement of financial position date, reduced by amounts not available for general use within one year of the statement of financial position date:

Cash and cash equivalents	\$	163,444
Grants and other receivables		132,500
Marketable securities		6,800
Total financial assets		302,744

Less amounts unavailable for general expenditures within one year:

Donor restricted for capital expenditures		(26,000)
Board designed for liquidity reserve		(44,662)

Financial assets available to meet cash needs for general expenditures within one year	\$	232,082
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As part of the Clinic's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Clinic has a non-committed \$50,000 line of credit with a commercial bank to meet temporary short-term cash needs. All of the assets of the Clinic are pledged as collateral on the line of credit. The interest rate on the line of credit is variable and is calculated as the Prime Rate plus 303 basis points. The interest rate on the line of credit at June 30, 2023 was 8.25%.

**LAKE COUNTY FREE CLINIC, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**Fiscal Year Ended June 30, 2023**

**Note 4. Liquidity and Availability of Financial Assets, continued**

The Clinic stated in its June 30, 2022 financial statements which were released July 14, 2023 that it had substantial doubt about its ability to continue as a going concern within one year from the issuance of those financial statements. The Clinic has mitigated the conditions that gave rise to the substantial doubt by taking the following actions.

A combination of new contributors and reductions in cash expenses after July 2023, coupled with new lease income, will provide sufficient positive cash flows from operating activities through the year after the release date of the fiscal year 2023 financial statements to make debt service payments. The Clinic requested and received a waiver on a bank loan covenant violation that occurred during the fiscal year that ended June 30, 2022. Lastly, the Clinic refinanced its bank loan with another financial institution that extends the loan commitment to 10 years, reduces monthly loan payment requirements, and does not contain financial covenants.

**Note 5. Grants and Other Receivables**

Receivables comprise grants and other miscellaneous amounts that are due to the Clinic. No estimate was made for uncollectible amounts because all amounts were deemed collectible. All grants and other receivables are expected to be collected during the fiscal year ending June 30, 2024.

**Note 6. Property and Equipment**

Long-lived assets are recorded at cost when purchased. The Clinic capitalizes fixed assets greater than \$500 that are expected to be useful to the Clinic for greater than one year.

Depreciation is recorded on a straight-line basis according to the following schedule:

<u>Class of Fixed Asset</u>	<u>Years</u>
Furniture, fixtures, and equipment	5 - 10
Real property	40

The following table details property and equipment values by major class of property as of June 30, 2023:

Land	\$ 93,420
Building	499,155
Office equipment and furnishings	11,858
Dental equipment	64,686
Medical equipment	19,790
Accumulated depreciation	(26,956)
	<u>\$ 661,953</u>

**LAKE COUNTY FREE CLINIC, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**Fiscal Year Ended June 30, 2023**

**Note 7. Notes Payable**

At June 30, 2023, notes payable consisted of the following:

Note payable to U.S. Small Business Administration ("SBA") \$ 150,000  
for an Economic Injury Disaster Loan ("EIDL"),  
with deferred payments of \$641 monthly beginning  
December 2022, at an interest rate of 2.75% per annum,  
amortized over a 30-year period, collateralized by  
all the assets of the Clinic.

Note payable to a commercial bank, with 6-year term 163,500  
starting with interest only payments for first 24 months  
and the remaining balance amortized over the subsequent  
48 months with a balloon payment at maturity. Interest  
is calculated using the Secured Overnight Financing  
Rate ("SOFR") plus 275 basis points (with a  
minimum rate of 3.25%). The note is collateralized  
by a 1st mortgage on real estate owned by the Clinic.

\$ 313,500

An additional \$60,000 of principal was paid down on the note payable to the commercial bank in December 2023. The Clinic also refinanced its bank note payable with a new bank in December 2023 with a 10-year term note that has a starting interest rate of 8.0% for five years, then repriced based on the comparable rate as published by the Federal Home Loan Bank of Pittsburgh ("FHLBP") plus 3.0% with a floor of 6.5%. The new loan has a 25-year amortization. The new loan is collateralized by a 1<sup>st</sup> mortgage on real estate owned by the Clinic and contains no financial covenants.

Payments on the SBA Economic Injury Disaster Loan are reducing the interest that accumulated during a 30-month deferral period at the commencement of the loan before reducing the principal on the loan. The accrued interest on the SBA EIDL at June 30, 2023 was \$7,994.

Scheduled maturities of principal on notes payable for future years are due as follows:

Year Ending June 30,	SBA EIDL	Bank Loan	Total
2024	\$ -	\$ 665	\$ 665
2025	-	1,413	1,413
2026	3,581	1,531	5,112
2027	3,681	1,658	5,339
2028	3,783	1,795	5,578
Thereafter	138,955	96,438	235,393

**LAKE COUNTY FREE CLINIC, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**Fiscal Year Ended June 30, 2023**

**Note 8. Net Assets Without Donor Restrictions**

The Clinic's board of directors set aside the proceeds from the SBA EIDL loan as a liquidity reserve. The balance on that reserve on June 30, 2023 was \$44,662.

**Note 9. Net Assets With Donor Restrictions**

Net assets with donor restrictions were available at June 30, 2023 for the following purposes:

Health care delivery	\$ 140,656
Dental equipment	26,000
	<u>\$ 166,656</u>

**Note 10. Net Assets Released from Restrictions**

Net assets were released from restrictions during the fiscal year ended June 30, 2023 as follows:

Health care delivery	\$ 126,250
Purchase of building and equipment	585,375
	<u>\$ 711,625</u>

**Note 11. Pension Plan**

The Clinic contributes to a SIMPLE IRA (the "Plan") for its eligible employees. The Plan requires that the Clinic match employee contributions dollar for dollar up to 3% of employee direct compensation.

The Clinic contributed \$11,261 to the Plan during the fiscal year that ended June 30, 2023.

**Note 12. Funding Commitments**

Subsequent to June 30, 2023 the Clinic received a funding commitment of a U.S. Congressionally Directed Spending award in the amount of \$100,000 to increase capacity for providing medical and dental services. Contributions from this award will be recorded in the statement of activities as qualifying expenditures occur. Additionally, the Clinic received a \$150,000 general operating grant from a private foundation in late June 2023, payable over two years.

**LAKE COUNTY FREE CLINIC, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**Fiscal Year Ended June 30, 2023**

**Note 13. Leases**

The Organization adopted a series of Accounting Standards Updates (“ASUs”) relating to leases during the fiscal year ended June 30, 2023. The purpose of these ASUs is to increase transparency and comparability in financial reporting by requiring statement of financial position recognition of leases and note disclosure of certain information about lease arrangements. There were no adjustments to beginning net assets as a result of adoption of the ASUs.

For leases as a lessee, the Organization does not capitalize operating leases that are less than one year in expected duration and does not capitalize operating or finance leases that exceed \$5,000 in total payments over the lease terms. The Organization does not separate lease components from non-lease components for capitalized leases when allocating contract consideration. The Organization discounts its capitalized lease obligations in the statement of financial position using a similar duration U.S. Treasury Bill interest rate that is in effect at the commencement of leases.

As Lessor

The Organization leases a portion of its building to an unrelated tenant.

The Organization expects to receive rental income from its long-term leases according to the following schedule:

<u>Fiscal Year Ending June 30,</u>	
2024	\$ 30,000
2025	30,000
2026	27,500
Thereafter	-

As Lessee

The Organization leases office equipment that is used in its operations. Rental expense for the year ended June 30, 2023 was \$1,760.