

The Wallace Medical Concern

Financial Statements and Other Information
as of and for the Year Ended June 30, 2008
and Report of Independent Accountants

THE WALLACE MEDICAL CONCERN

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REPORT OF INDEPENDENT ACCOUNTANTS

*The Board of Directors
The Wallace Medical Concern:*

We have audited the accompanying statement of financial position of The Wallace Medical Concern as of June 30, 2008, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of The Wallace Medical Concern's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the financial statements of The Wallace Medical Concern as of June 30, 2007 and, in our report dated July 8, 2008, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of The Wallace Medical Concern's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Wallace Medical Concern as of June 30, 2008 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.



November 25, 2008

THE WALLACE MEDICAL CONCERN
STATEMENT OF FINANCIAL POSITION

JUNE 30, 2008
(WITH COMPARATIVE AMOUNTS FOR 2007)

	2008	2007
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Assets:		
Cash and cash equivalents	\$ 155,787	261,177
Grants and contributions receivable (<i>note 3</i>)	6,446	15,616
Prepaid expenses	4,449	4,556
Investments (<i>note 4</i>)	269,900	187,235
Furniture and equipment (<i>note 5</i>)	3,502	2,915
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Total assets	\$ 440,084	471,499
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Liabilities:		
Accounts payable and accrued expenses	7,517	2,385
Accrued payroll liabilities	10,649	8,461
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Total liabilities	18,166	10,846
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Net Assets:		
Available for programs and general operations	393,620	341,872
Net investment in capital assets	3,502	2,915
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Total unrestricted	397,122	344,787
Temporarily restricted (<i>note 6</i>)	24,796	115,866
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Total net assets	421,918	460,653
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Commitments (<i>note 10</i>)		
Total liabilities and net assets	\$ 440,084	471,499
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See accompanying notes to financial statements.

THE WALLACE MEDICAL CONCERN

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2008
(WITH COMPARATIVE TOTALS FOR 2007)

	2008			2007
	Unrestricted	Temporarily restricted	Total	
Revenues, gains and other support:				
Individual contributions	\$ 156,847	8,446	165,293	140,259
Foundation grants	181,728	7,600	189,328	137,058
In-kind contributions (<i>note 7</i>)	285,180	–	285,180	249,785
Investment income	15,852	–	15,852	15,366
Net appreciation (decline) in the fair value of investments	(2,387)	–	(2,387)	2,429
Total revenues and gains	637,220	16,046	653,266	544,897
Net assets released from restrictions (<i>note 8</i>)	107,116	(107,116)	–	–
Total revenues, gains and other support	744,336	(91,070)	653,266	544,897
Expenses (<i>note 9</i>):				
Program services	525,636	–	525,636	404,380
Management and general	88,114	–	88,114	75,687
Fundraising	78,251	–	78,251	74,363
Total expenses	692,001	–	692,001	554,430
Increase (decrease) in net assets	52,335	(91,070)	(38,735)	(9,533)
Net assets at beginning of year	344,787	115,866	460,653	470,186
Net assets at end of year	\$ 397,122	24,796	421,918	460,653

See accompanying notes to financial statements.

THE WALLACE MEDICAL CONCERN
STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2008
(WITH COPARATIVE TOTALS FOR 2007)

	2008				2007
	Program Services	Management and general	Fundraising	Total	
Salaries and related costs	\$ 180,488	65,838	52,607	298,933	190,672
Professional service fees	157,350	19,976	2,230	179,556	134,098
Clinical and pharmaceutical supplies	16,823	-	-	16,823	37,601
Occupancy	130,830	4,880	5,586	141,296	136,123
Office supplies	693	3,916	53	4,662	9,061
Postage and delivery	10	3,767	1,554	5,331	6,030
Printing and copying	2,205	3,972	2,143	8,320	6,067
Telecommunications	2,186	2,322	-	4,508	7,503
Travel expenses	965	424	433	1,822	2,363
Event expenses	268	963	5,250	6,481	12,775
Insurance	148	4,154	-	4,302	3,357
Recruitment	405	13,141	-	13,546	1,603
Depreciation	932	174	199	1,305	1,106
Other	1,102	3,393	621	5,116	6,071
Total expenses before allocation of indirect costs	494,405	126,920	70,676	692,001	554,430
Allocation of indirect costs	31,231	(38,806)	7,575	-	-
Total expenses	\$ 525,636	88,114	78,251	692,001	554,430

See accompanying notes to financial statements.

THE WALLACE MEDICAL CONCERN

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2008
(WITH COMPARATIVE TOTALS FOR 2007)

	2008	2007
Cash flows from operating activities:		
Cash received from contributors and grantors	\$ 363,791	317,547
Interest received	15,852	15,366
Cash paid to employees and suppliers	(398,089)	(304,475)
Net cash provided by (used in) operating activities	(18,446)	28,438
Cash flows from investing activities:		
Capital expenditures	(1,892)	(2,566)
Purchase of investments	(250,000)	(135,000)
Proceeds from the sale of investments	164,948	109,155
Net cash used in investing activities	(86,944)	(28,411)
Net increase (decrease) in cash and cash equivalents	(105,390)	27
Cash and cash equivalents at beginning of year	261,177	261,150
Cash and cash equivalents at end of year	\$ 155,787	261,177

See accompanying notes to financial statements.

THE WALLACE MEDICAL CONCERN

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2008

1. Organization

The Wallace Medical Concern is a volunteer-based, private nonprofit organization dedicated to provide neighborhood health care services and assistance to Portland-area residents who face barriers to care. Wallace operates two free medical clinics located in Portland and in Gresham, Oregon.

- *Unrestricted net assets* – Net assets not subject to donor-imposed stipulations.
- *Temporarily restricted net assets* – Net assets subject to donor-imposed stipulations that may be met by actions of the organization and/or the passage of time. These balances represent the unexpended portion of externally restricted contributions and investment return to be used for specific programs and activities as directed by the donor.

2. Summary of Significant Accounting Policies

The significant accounting policies followed by the organization are described below to enhance the usefulness of the financial statements to the reader.

Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

Basis of Accounting – The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles and the principles of fund accounting. Fund accounting is the procedure by which resources for various purposes are classified for accounting purposes in accordance with activities or objectives specified by donors.

Use of Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires that management make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent 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. In the opinion of the organization's management, such differences would not be significant.

Basis of Presentation – The organization has adopted the provisions of Statement of Financial Accounting Standards (SFAS) No. 116, *Accounting for Contributions Received and Contributions Made*, and SFAS No. 117, *Financial Statements of Not-for-Profit Organizations*. Under these provisions, net assets and all balances and transactions are presented based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Contributions – Contributions, which include unconditional promises to give (pledges), are recognized as revenues in the period the commitment is received. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value.

Contributions of Capital Assets – Contributions of capital assets without donor stipulations concerning the use of such long-lived assets are reported as revenues of the unrestricted net asset class. Contributions of cash or other assets to be used to acquire equipment with such donor restrictions are reported as revenues of the temporarily restricted net asset class; the restrictions are considered to be released at the time of acquisition of such long-lived assets.

In-Kind Contributions – In accordance with SFAS No. 116, *Accounting for Contributions Received and Contributions Made*, significant services received which create or enhance a non-financial asset or require specialized skills that the organization would have purchased if not donated are recognized in the statement of activities.

In-kind contribution of equipment and other materials and free use of facilities are recorded when there is an objective basis upon which to value the contributions where the contributions are an essential part of the organization's activities.

Cash equivalents – For purposes of the financial statements, the organization considers all liquid investments having initial maturities of three months or less to be cash equivalents. At June 30, 2008, \$87,354 of cash balances was held in money market funds.

Investments – In accordance with SFAS No. 124, *Accounting for Certain Investments Held by Not-for-Profit Organizations*, investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair value in the statement of financial position. Net appreciation (decline) in the fair value of investments, which consists of the realized gains or losses and the unrealized appreciation (depreciation), is included in the change in net assets. Interest income is accrued as earned. Security transactions are recorded on a trade date basis.

The organization has some exposure to investment risks, including interest rate, market, and credit risks, for marketable securities. Due to the level of risk exposure, it is possible that near-term valuation changes for investment securities may occur to an extent that could materially affect the amounts reported in the accompanying financial statements.

Capital Assets and Depreciation – Furniture and equipment are carried at cost, and at market value when acquired by gift. Depreciation is provided on a straight-line basis over the estimated useful lives of the respective assets, which are generally 3 to 5 years.

Revenue Recognition – All contributions and grants are considered available for unrestricted use unless specifically restricted by the donor. Service revenues are recognized at the time services are provided and the revenues are earned.

Concentrations of Credit Risk – The organization's investments consist primarily of money market funds and fixed income securities. These financial instruments may subject the organization to concentrations of credit risk as, from time to time, cash balances may exceed amounts insured by the Federal Deposit Insurance Corporation. Certain grants and contributions receivable also subject the organization to concentrations of credit risk.

Income Taxes – The organization is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and comparable state law.

Summarized Financial Information for 2007– The accompanying financial information as of and for the year ended June 30, 2007 is presented for comparative purposes only and is not intended to represent a complete financial statement presentation.

Other Significant Accounting Policies – Other significant accounting policies are set forth in the financial statements and the following notes.

3. Grants and Contributions Receivable

Grants and contributions receivable at June 30, 2008 totaling \$6,446 represent unconditional promises to be collected in less than one year.

4. Investments

Investments at June 30, 2008 totaling \$269,900 are carried at market value and consist entirely of fixed income securities.

5. Furniture and Equipment

A summary of office furniture and equipment at June 30, 2008 is as follows:

Furniture and equipment	\$ 6,204
Less accumulated depreciation	(2,702)
	\$ 3,502

Most of the medical equipment used by the organization to conduct its program services has been made available to the organization at no cost. No amounts have been included in the accompanying financial statements for the value of the free use of the equipment as such amounts are not subject to objective determination.

6. Restrictions and Limitations on Net Asset Balances

Temporarily restricted net assets at June 30, 2008 consists of \$24,796 in unexpended cash and contributions and grants pledged for the support of specific activities or future periods, as follows:

Capacity building	\$ 12,882
Future periods	11,914
	\$ 24,796

7. In-Kind Contributions

The organization's in-kind contributions for the year ended June 30, 2008 are summarized as follows:

Program services:

Medical staff	\$ 150,283
Free use of medical office space	119,909
Pharmaceutical and medical supplies	3,535

273,727

Management and general:

Free use of office space	4,880
Office supplies	120

5,000

Fundraising:

Professional services	730
Free use of office space	5,586
Supplies	137

6,453

\$ 285,180

8. Net Assets Released from Restrictions

During the year ended June 30, 2008, the organization incurred \$107,116 in expenses in satisfaction of the restricted purposes specified by donors, or satisfied restrictions by the occurrence of other events. As follows:

Operating support	\$ 105,224
Capital acquisitions	1,892
	\$ 107,116

Accordingly, a corresponding amount is reported as a reclassification from temporary restricted net assets to unrestricted net assets in the accompanying financial statements.

9. Expenses

The costs of providing various programs and other activities of the organization have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses by natural classification are presented in the statement of functional expenses.

10. Operating Leases

The organization leases certain administrative and clinical facilities under certain noncancelable lease agreements, expiring in July and August 2009. These agreements provide for the use of the medical and office facilities at no cost to the organization. In addition, the organization rents certain medical facilities under a noncancelable lease expiring in July 2008. The organization also leases certain office equipment under a noncancelable lease expiring in March 2013. Future lease commitments totaled \$6,204 at June 30, 2008. Rent expense totaled \$141,296 for the year ended June 30, 2008, including \$130,375 in recorded free use of facilities.

11. Retirement Plan

The organization provides all employees with a tax-sheltered annuity plan described under Section 403(b) of the Internal Revenue Code. Employees make contributions to the plan on a voluntary basis up to the limits allowed by law. The organization does not make contributions to the plan.

12. Reclassification of 2007 Comparative Totals

Certain other 2007 amounts presented herein have been reclassified to conform to the 2008 presentation.

13. Statement of Cash Flows Reconciliation

The following presents a reconciliation of the decrease in net assets (as reported on the statement of activities) to net cash used in operating activities (as reported on the statement of cash flows):

Decrease in net assets	\$	(38,735)
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<i>Adjustments to reconcile decrease in net assets to net cash used in operating activities:</i>		
Depreciation		1,305
Net decline in fair value of investments		2,387
<i>Net changes in:</i>		
Grants and contributions receivable		9,170
Prepaid expenses		107
Accounts payable and accrued expenses		5,132
Accrued payroll liabilities		2,188
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Total adjustments		20,289
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Net cash used in operating activities	\$	(18,446)
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14. New Accounting Standards

The following new accounting standards may affect the organization's financial statements in future years.

- Statement of Financial Accounting Standards No. 157 ("SFAS No. 157"), *Fair Value Measurements*, was issued by the Financial Accounting Standards Board ("FASB") in September of 2006. This standard defines fair value, establishes a framework for measuring fair value in accounting principles generally accepted in the U.S., and expands disclosures about fair value measurements. The pronouncement applies under other accounting standards that require or permit fair value measurements. Accordingly, this statement does not require any new fair value measurements. The statement is effective for years beginning after November 15, 2007; the organization will be required to adopt SFAS No. 157 during the year ended June 30, 2009. Management is currently evaluating the requirements of SFAS No. 157 and has not yet determined the effect on the organization's financial statements.



THE WALLACE MEDICAL CONCERN

GOVERNING BOARD, MANAGEMENT AND STAFF

JUNE 30, 2008

Board of Directors

David R. Wolf, *President*
Renewable Northwest Project

Dan Mallea, *Treasurer*
Vice President and Controller
The Regence Group

Will Mowe, *Secretary*
Vice President, Clinic operations
Legacy Health System

Liz Field
Organizational and Management
Consultant

Paul Finlay
General Contractor/
Project Development Consultant

Mary Anne Harmer
Vice President Business Planning/
Oregon Planning
Regence BlueCross BlueShield of Oregon

Deborah Hedges
Director of Human Resources
Northwest Permanent, P.C.

Priscilla Lewis
Regional Director, Community Support Services
Providence Health System

Sonia Manhas
Program Supervisor
Chronic Disease Prevention Program
Multnomah County Health Department

Keith Meyers
CPA, ABV Principal
Perkins & Company, P.C.

Sandy Carter Templeman
Development Director
Latino Network

Maureen Ann Wright, MD
Associate Regional Medical Director
for Quality Systems
Northwest Permanente P.C.

Management and Staff

Lisa Cline, *Executive Director*

Kaarin Smith, *Development Director*

Jennifer Gonnella, *Patient Services Director*

Kristine Harter, *Registered Nurse*

Honorio Lozano, *Clinic Coordinator*

Cecily Peterson, *Volunteer Manager*

Arianna Sunford, *Office Coordinator*

James B. Reuler, *Volunteer Medical Director*

THE WALLACE MEDICAL CONCERN
INQUIRIES AND OTHER INFORMATION

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