



Virginia Association of Free and Charitable Clinics, Inc.

Financial Statements

June 30, 2018 and 2017

Virginia Association of Free and Charitable Clinics, Inc.

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Independent Auditor's Report

Board of Directors
Virginia Association of Free and
Charitable Clinics, Inc.
Richmond, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of Virginia Association of Free and Charitable Clinics, Inc., which comprise the statements of financial position as of June 30, 2018 and 2017, 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 audits 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 Virginia Association of Free and Charitable Clinics, Inc. as of June 30, 2018 and 2017, and its change 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.

Mitchell Wiggins

Petersburg, Virginia
October 2, 2018

Virginia Association of Free and Charitable Clinics, Inc.

**Statements of Financial Position
June 30, 2018 and 2017**

Assets	2018	2017
Cash	\$ 1,968,850	\$ 1,775,913
Accounts receivable	23,924	451
Accrued management fee receivable	118,344	106,405
Prepaid expenses	8,745	2,467
Investments	226,757	287,305
Deposit	2,000	2,000
Furniture, fixtures and equipment, less accumulated depreciation \$14,123 in 2018; \$12,030 in 2017	1,226	2,099
Total assets	\$ 2,349,846	\$ 2,176,640
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 3,325	\$ 12,021
Grants payable	1,765,412	1,581,373
Accrued expenses	12,765	15,960
Employee payroll deductions	-	3,965
Total liabilities	1,781,502	1,613,319
Net Assets		
Unrestricted	560,664	558,486
Temporarily restricted	7,680	4,835
Total net assets	568,344	563,321
Total liabilities and net assets	\$ 2,349,846	\$ 2,176,640

See Notes to Financial Statements

Virginia Association of Free and Charitable Clinics, Inc.

**Statement of Activities
For the Year Ended June 30, 2018**

	Unrestricted	Temporarily Restricted	Total
Revenues and Other Support			
Conference and meeting income	\$ 39,066	\$ -	\$ 39,066
Contributions	10,797	31,195	41,992
COPN Charity Care	-	480,267	480,267
Other income	16	-	16
Investment return	18,922	-	18,922
Management fees	468,632	-	468,632
Membership dues	92,381	-	92,381
State funding	6,296,400	-	6,296,400
Net assets released from restrictions	508,617	(508,617)	-
Total revenues and other support	7,434,831	2,845	7,437,676
Grants and Other Functional Expenses			
Program services	492,105	-	492,105
Management and general	132,368	-	132,368
Fundraising	28,162	-	28,162
Member clinic contractual fees	6,299,750	-	6,299,750
COPN Charity Care payments	480,268	-	480,268
Total expenses	7,432,653	-	7,432,653
Change in net assets	2,178	2,845	5,023
Net assets, beginning	558,486	4,835	563,321
Net assets, ending	\$ 560,664	\$ 7,680	\$ 568,344

See Notes to Financial Statements

Virginia Association of Free and Charitable Clinics, Inc.

**Statement of Activities
For the Year Ended June 30, 2017**

	Unrestricted	Temporarily Restricted	Total
Revenues and Other Support			
Conference and meeting income	\$ 32,135	\$ 40,000	\$ 72,135
Contributions	7,448	1,045	8,493
COPN Charity Care	-	487,798	487,798
Other income	240	-	240
Investment return	26,069	-	26,069
Management fees	457,916	-	457,916
Membership dues	90,094	-	90,094
State funding	6,110,785	-	6,110,785
Net assets released from restrictions	557,477	(557,477)	-
Total revenues and other support	7,282,164	(28,634)	7,253,530
Grants and Other Functional Expenses			
Program services	466,013	-	466,013
Management and general	136,278	-	136,278
Fundraising	22,105	-	22,105
Member clinic contractual fees	6,114,362	-	6,114,362
COPN Charity Care payments	487,798	-	487,798
Total expenses	7,226,556	-	7,226,556
Change in net assets	55,608	(28,634)	26,974
Net assets, beginning	502,878	33,469	536,347
Net assets, ending	\$ 558,486	\$ 4,835	\$ 563,321

See Notes to Financial Statements

Virginia Association of Free and Charitable Clinics, Inc.

Statements of Cash Flows

For the Years Ended June 30, 2018 and 2017

	2018	2017
Cash Flows from Operating Activities		
Change in net assets	\$ 5,023	\$ 26,974
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	2,093	2,034
Realized gain on sale of investments	(8,657)	(5,141)
Unrealized gain on investments	(2,213)	(14,482)
Donated investment securities	(2,895)	-
Changes in operating assets		
Accounts receivable	(23,473)	1,643,098
Accrued management fee receivable	(11,939)	6,476
Prepaid expenses	(6,278)	2,091
Changes in operating liabilities		
Accounts payable	(8,696)	4,093
Grants payable	184,039	(99,290)
Accrued expenses	(3,195)	(2,062)
Employee payroll deductions	(3,965)	(1,006)
Net cash provided by operating activities	119,844	1,562,785
Cash Flows from Investing Activities		
Purchase of property and equipment	(1,220)	-
Purchase of investments	(57,953)	(134,534)
Proceeds from sale of investments	132,266	55,621
Net cash provided by (used in) investing activities	73,093	(78,913)
Net change in cash and cash equivalents	192,937	1,483,872
Cash and cash equivalents, beginning	1,775,913	292,041
Cash and cash equivalents, ending	\$ 1,968,850	\$ 1,775,913

See Notes to Financial Statements

Virginia Association of Free and Charitable Clinics, Inc.

**Statement of Functional Expenses
For the Year Ended June 30, 2018**

	Program Services	Management & General	Fundraising
Salaries	\$ 191,596	\$ 66,447	\$ 20,083
Employee benefits	18,840	6,026	1,920
Payroll taxes	15,053	5,290	1,524
Total salaries and related expenses	225,489	77,763	23,527
Board and Committee Support	6,032	710	355
Conferences	36,134	-	-
Consultants	158,956	-	-
Depreciation	-	2,093	-
Dues and publications	12,189	3,250	813
Insurance	-	5,041	-
Investment fees	-	2,207	-
Office	9,563	2,255	564
Printing	748	123	9
Professional fees	-	32,595	-
Rent	21,536	4,038	1,346
Staff development	1,065	125	63
Telephone	6,111	1,629	407
Travel	9,160	539	1,078
Workshops and other	5,122	-	-
Total expenses	\$ 492,105	\$ 132,368	\$ 28,162

See Notes to Financial Statements

Virginia Association of Free and Charitable Clinics, Inc.

**Statement of Functional Expenses
For the Year Ended June 30, 2017**

	Program Services	Management & General	Fundraising
Salaries	\$ 193,110	\$ 65,912	\$ 14,920
Employee benefits	19,361	7,117	1,280
Payroll taxes	15,281	5,216	1,181
Total salaries and related expenses	227,752	78,245	17,381
Board and Committee Support	3,512	413	207
Conferences	42,200	-	-
Consultants	114,549	-	-
Depreciation	-	2,034	-
Dues and publications	22,440	5,984	1,496
Insurance	-	6,327	-
Investment fees	-	2,187	-
Office	17,463	2,516	423
Printing	1,533	252	18
Professional fees	-	32,424	-
Rent	21,118	3,960	1,320
Staff development	929	109	55
Telephone	5,250	1,400	350
Travel	7,264	427	855
Workshops and other	2,003	-	-
Total expenses	\$ 466,013	\$ 136,278	\$ 22,105

See Notes to Financial Statements

Virginia Association of Free and Charitable Clinics, Inc.

Notes to Financial Statements

June 30, 2018 and 2017

Note 1. Nature of Business and Significant Accounting Policies

The mission of the Virginia Association of Free and Charitable Clinics, Inc. (the "Organization") is to support and advocate for our member clinics so that Virginia's underserved have access to quality care. To this end, the Organization provides education, training, technical assistance, research, marketing, resource development, financial support through contractual relationships with member clinics that serve in a subcontractor capacity on behalf of the Organization, policy analysis and legislative monitoring for Virginia's Free and Charitable Clinics.

The Organization administers funding from the Commonwealth of Virginia and contracts with its member clinics (i.e., subcontractors) for the purpose of providing access to medical, dental, mental health care and prescription medications for patients. Although certain requirements are stipulated for each contractual relationship with the member clinics, management has assessed the possibility that those requirements will not be met as remote and, therefore, they are considered as unconditional. The member clinics (i.e., subcontractors) are reimbursed for health care and pharmaceutical services per the "Memorandum of Agreement" on a quarterly basis.

General

The Organization maintains its accounts on the accrual basis. These financial statements have been prepared to focus on the Organization as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions. This has been accomplished by classification of balances and transactions into classes of net assets, either unrestricted, temporarily restricted or permanently restricted.

Cash equivalents

For purposes of the statements of cash flows, the Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Accounts receivable

The Organization will routinely extend credit in connection with its activities to Virginia's member clinics located in the Commonwealth of Virginia. Receivables past due are considered delinquent receivables and are written off based on individual credit evaluation of the collectability of individual accounts receivable.

Accounts receivable are charged off to bad debts by the direct write-off method in the year in which the account is determined to be uncollectible. If the reserve method of accounting for uncollectible accounts were used, it would not have a material effect on the financial statements.

Investments

Investments in common stocks with readily determinable fair values and all investments in corporate bonds, money market funds and mutual funds are valued at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

Virginia Association of Free and Charitable Clinics, Inc.

Notes to Financial Statements

June 30, 2018 and 2017

Note 1. Nature of Business and Significant Accounting Policies (Continued)

The Organization evaluates securities for other-than-temporary impairment at least on an annual basis, and more frequently when economic or market concerns warrant such evaluation. The Organization employs a systematic methodology that considers available evidence in evaluating potential impairment of its investments. In the event that the cost of an investment exceeds its fair value, the Organization evaluates, among other factors, the magnitude and duration of the decline in fair value; for equity and debt securities the financial health of and business outlook for the issuer; the performance of the underlying assets for interests in securitized assets; and the Organization's intent and ability to hold the investment. Once a decline in fair value is determined to be other-than-temporary, an impairment charge is recorded in investment income and a new cost basis in the investment is established.

Member clinic contractual fees

The Organization makes payments to various member free and charitable clinics, who serve as subcontractors, to carry out its mission. Member clinic contractual fees are recognized as an expense in the year the Organization's Funds-Accreditation-Membership Committee authorizes the member clinic contractual fees. Although certain requirements are stipulated for each contract, the Organization has assessed the possibility that those requirements will not be met as remote and, therefore, they are considered to be unconditional.

Property and equipment

Property and equipment are recorded at cost. Major additions and betterments are capitalized while maintenance and repairs which do not improve or extend the life of the respective assets are expensed currently. Depreciation is recorded using the straight-line method over the estimated useful lives of the related assets.

Revenue recognition

Contributions that include unconditional promises to give are recognized as revenues in the period received or promised. Conditional contributions are recorded when the conditions have been substantially met. Contributions are considered to be unrestricted unless specifically restricted by the donor. Program support grants are recognized as revenue at the time of award if they are unconditional.

The Organization reports grants and contributions in the temporarily restricted net asset class if they are received with donor stipulations as to their use. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are released and reclassified to unrestricted net assets in the statements of activities. However, if restrictions on grants and contributions are met in the same reporting period as the grant or contribution is received, the revenues are reported as increases in unrestricted net assets.

Virginia Association of Free and Charitable Clinics, Inc.

Notes to Financial Statements

June 30, 2018 and 2017

Note 1. Nature of Business and Significant Accounting Policies (Continued)

Revenues from exchange contracts and cost reimbursement grants are recognized to the extent allowable expenses are incurred under the respective agreements. Amounts reported as accounts receivable include amounts billed for dues and management fees. Income from dues is recognized over the period to which the dues relate and management fee revenue is recognized when services are provided.

Unrestricted net assets

The Organization reports assets whose use is not restricted by donors as unrestricted net assets. Contributions are available for unrestricted use unless specifically restricted by the donor. In general, the unrestricted net assets of the Organization may be used at the discretion of the Organization's management and Board of Directors to support the Organization's purpose and operations.

Temporarily restricted net assets

The Organization reports gifts of cash and other assets 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 and change in net assets as net assets released from restrictions.

Permanently restricted net assets

Permanently restricted net assets are those which are subject to the restrictions of gift instruments requiring that the principal be invested in perpetuity and the income only be utilized for purposes specified by the donor. The Organization had no permanently restricted net assets as of the years ended June 30, 2018 and 2017.

Estimates

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

Income taxes

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions as provided in Section 170(b)(1)(A)(vi).

Virginia Association of Free and Charitable Clinics, Inc.

Notes to Financial Statements

June 30, 2018 and 2017

Note 1. Nature of Business and Significant Accounting Policies (Continued)

The Organization follows generally accepted accounting principles regarding "Accounting for Uncertain Tax Positions". This accounting standard provides detailed guidance for financial statement recognition, measurement, and disclosure of uncertain tax positions recognized in the Organization's financial statements. It requires an entity to recognize the financial statement impact of a tax position when it is more likely than not that the position will not be sustained upon examination. The tax years 2015 to 2017 remain subject to examination by the taxing authorities.

The Organization has determined that it does not have any material unrecognized tax benefits or obligations as of June 30, 2018 and 2017. The Organization includes penalties and interest assessed by income taxing authorities in operating expenses. No penalties or interest were incurred for the years ended June 30, 2018 and 2017.

Note 2. Investments

Investments at June 30, 2018 and 2017 consist of the following:

	June 30, 2018			
	Cost	Fair Value	Gross Unrealized Losses	Gross Unrealized Gains
Money market funds	\$ 17,495	\$ 17,495	\$ -	\$ -
Common stock	177,842	209,262	(4,118)	35,538
	\$195,337	\$ 226,757	\$ (4,118)	\$ 35,538

	June 30, 2017			
	Cost	Fair Value	Gross Unrealized Losses	Gross Unrealized Gains
Money market funds	\$ 12,633	\$ 12,633	\$ -	\$ -
Common stock	169,961	199,780	(1,755)	31,574
Corporate bonds	75,504	74,892	(612)	-
	\$ 258,098	\$ 287,305	\$ (2,367)	\$ 31,574

The following schedules summarize the investment return and its classification in the statements of activities for the years ended June 30, 2018 and 2017:

Virginia Association of Free and Charitable Clinics, Inc.

Notes to Financial Statements

June 30, 2018 and 2017

Note 2. Investments (Continued)

	June 30, 2018			
	Temporarily Permanently			Total
	Unrestricted	Restricted	Restricted	
Dividend income	\$ 6,564	\$ -	\$ -	\$ 6,564
Interest income	1,488	-	-	1,488
Net unrealized gains	2,213	-	-	2,213
Realized gains	8,657	-	-	8,657
Total investment return	\$ 18,922	\$ -	\$ -	\$ 18,922

	June 30, 2017			
	Temporarily Permanently			Total
	Unrestricted	Restricted	Restricted	
Dividend income	\$ 5,776	\$ -	\$ -	\$ 5,776
Interest income	670	-	-	670
Net unrealized gains	14,482	-	-	14,482
Realized gains	5,141	-	-	5,141
Total investment return	\$ 26,069	\$ -	\$ -	\$ 26,069

Note 3. Concentrations of Credit Risk

The Organization grants credit to member clinics, all of whom are located in the Commonwealth of Virginia. The Organization also maintains various deposit accounts that are occasionally in excess of federally insured limits. The risk is managed by maintaining these accounts in a high quality financial institution.

Note 4. Economic Dependency

The Organization received approximately 85% and 84% of its support from the Commonwealth of Virginia for the years ended June 30, 2018 and 2017, respectively. A significant reduction in the level of this support, if this were to occur, may have a significant effect on the Organization's programs and activities.

Virginia Association of Free and Charitable Clinics, Inc.

Notes to Financial Statements

June 30, 2018 and 2017

Note 5. Restrictions on Net Assets

Temporarily restricted net assets are available for the following purposes or period:

	<u>2018</u>	<u>2017</u>
Mel Leaman Memorial Scholarship	\$ 7,530	\$ 4,685
Other	150	150
	<u>\$ 7,680</u>	<u>\$ 4,835</u>

Net assets were released from donor restrictions by incurring expenses satisfying the purpose restrictions specified by grantors as follows:

	<u>2018</u>	<u>2017</u>
Purpose restrictions accomplished:		
Annual Conference	\$ -	\$ 40,000
Grants made from COPN Charity Care funds	480,267	487,798
Resource Development Education Initiative	25,000	26,111
Mel Leaman Memorial Scholarship	3,350	3,568
	<u>\$ 508,617</u>	<u>\$ 557,477</u>

Note 6. Fair Value Measurements

U. S. GAAP has established a framework to measure fair value and defined the required disclosures about fair value measurements. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The guidance also established a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1 – Quoted prices are available in active markets for identical investments as of the reporting date.

Level 2 – Pricing inputs, including broker quotes, are generally those other than exchange quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.

Level 3 – Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation.

Virginia Association of Free and Charitable Clinics, Inc.

Notes to Financial Statements

June 30, 2018 and 2017

Note 6. Fair Value Measurements (Continued)

The classification of investments by level within the valuation hierarchy as of June 30, 2018 and 2017 is as follows:

	Fair Value Measurements at Reporting Date Using			
	June 30			
	2018	Level 1	Level 2	Level 3
Assets				
Money market funds	\$ 17,495	\$ 17,495	\$ -	\$ -
Common stock:				
Consumer discretionary	9,257	9,257	-	-
Consumer staples	21,950	21,950	-	-
Energy	25,223	25,223	-	-
Financials	50,178	50,178	-	-
Health care	23,824	23,824	-	-
Industrials	26,269	26,269	-	-
Information technology	16,507	16,507	-	-
Materials	10,842	10,842	-	-
Real estate investment trusts	18,605	18,605	-	-
Telecommunications	2,516	2,516	-	-
Utilities	4,091	4,091	-	-
	\$ 226,757	\$ 226,757	\$ -	\$ -

	Fair Value Measurements at Reporting Date Using			
	June 30			
	2017	Level 1	Level 2	Level 3
Assets				
Money market funds	\$ 12,633	\$ 12,633	\$ -	\$ -
Common stock:				
Closed-end mutual funds	4,083	4,083	-	-
Consumer discretionary	17,940	17,940	-	-
Consumer staples	24,949	24,949	-	-
Energy	20,427	20,427	-	-
Financials	39,367	39,367	-	-
Health care	23,001	23,001	-	-
Industrials	28,827	28,827	-	-
Information technology	8,549	8,549	-	-
Materials	11,845	11,845	-	-
Real estate investment trusts	13,834	13,834	-	-
Telecommunications	3,126	3,126	-	-
Utilities	3,832	3,832	-	-
Corporate bonds	74,892	74,892	-	-
	\$ 287,305	\$ 287,305	\$ -	\$ -

Virginia Association of Free and Charitable Clinics, Inc.

Notes to Financial Statements

June 30, 2018 and 2017

Note 7. Functional Allocation of Expenses

The costs of providing the various programs and other activities 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.

Note 8. Lease Commitments

The Organization leases office space in Henrico, Virginia. Total rental expense recognized on the straight line basis for the years ended June 30, 2018 and 2017 was \$26,920 and \$26,398, respectively. During fiscal year 2016, the lease agreement was renewed for an additional term from August 1, 2016 to July 31, 2019. The minimum long-term rental commitments under this noncancelable lease as of June 30, 2018 are as follows:

June 30, 2019	27,795
June 30, 2020	2,322
	<u>\$ 30,117</u>

Note 9. Donated Services

During the years ended June 30, 2018 and 2017, the value of contributed services meeting the criteria for recognition in the financial statements was not material and has not been recorded.

Note 10. Employee Savings Plan

The Organization had a tax deferred annuity plan under Section 403(b) of the Internal Revenue Code that was offered to all full-time employees commencing on the date of employment which was terminated by the Organization on July 26, 2013. In addition, the Organization has a SEP-IRA plan for all employees 21 years or older who have been employed by the Organization for at least two years and who make at least \$450 per year. The SEP-IRA plan calls for a 4% discretionary employer contribution for all eligible employees. The retirement provision provided by the Board of Directors for the years ended June 30, 2018 and 2017 was \$10,040 and \$9,875, respectively.

Note 11. Subsequent Events

Management has evaluated subsequent events through October 2, 2018, the date the financial statements were available for issue.