



Virginia Association of Free and Charitable Clinics, Inc.

Financial Statements

June 30, 2020 and 2019

Virginia Association of Free and Charitable Clinics, Inc.

Table of Contents

	Page
Independent Auditor's Report	1
Financial Statements	
<i>Statements of financial position</i>	2
<i>Statement of activities - June 30, 2020</i>	3
<i>Statement of activities - June 30, 2019</i>	4
<i>Statement of functional expenses - June 30, 2020</i>	5
<i>Statement of functional expenses - June 30, 2019</i>	6
<i>Statements of cash flows</i>	7
<i>Notes to financial statements</i>	8 - 17

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, 2020 and 2019, 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, 2020 and 2019, 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 29, 2020

Virginia Association of Free and Charitable Clinics, Inc.

Statements of Financial Position
June 30, 2020 and 2019

Assets	2020	2019
Cash	\$ 2,719,065	\$ 3,192,973
Accounts receivable	33,224	13,683
Accrued management fee receivable	162,773	112,209
Prepaid expenses	6,101	7,005
Investments	189,252	207,991
Deposit	2,000	2,000
Furniture, fixtures and equipment, less accumulated depreciation \$14,593 in 2020; \$13,994 in 2019	3,467	1,480
Total assets	\$ 3,115,882	\$ 3,537,341
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 38,709	\$ 15,178
Grants payable	2,108,939	2,735,229
Accrued expenses	20,691	15,110
Deferred revenue	24,054	40,514
Refundable advance	4,123	-
Total liabilities	2,196,516	2,806,031
Net Assets		
<i>Without donor restrictions</i>	865,154	585,113
<i>With donor restrictions</i>	54,212	146,197
Total net assets	919,366	731,310
Total liabilities and net assets	\$ 3,115,882	\$ 3,537,341

See Notes to Financial Statements

Virginia Association of Free and Charitable Clinics, Inc.

**Statement of Activities
For the Year Ended June 30, 2020**

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Other Support			
Conference and meeting income	\$ 92,270	\$ -	\$ 92,270
Contributions	7,633	69,451	77,084
COPN Charity Care	-	1,660,523	1,660,523
Net investment loss	(17,095)	-	(17,095)
Management fees	607,577	-	607,577
Membership dues	99,249	-	99,249
State funding	6,796,400	-	6,796,400
Program fees - SEM project	21,646	-	21,646
Payroll Protection Program grant	56,577	-	56,577
Net assets released from restrictions	1,821,959	(1,821,959)	-
Total revenues and other support	9,486,216	(91,985)	9,394,231
Grants and Other Functional Expenses			
Program services	526,694	-	526,694
Management and general	130,165	-	130,165
Fundraising	47,627	-	47,627
Member clinic contractual fees	6,841,166	-	6,841,166
COPN Charity Care payments	1,660,523	-	1,660,523
Total expenses	9,206,175	-	9,206,175
Change in net assets	280,041	(91,985)	188,056
Net assets, beginning	585,113	146,197	731,310
Net assets, ending	\$ 865,154	\$ 54,212	\$ 919,366

See Notes to Financial Statements

Virginia Association of Free and Charitable Clinics, Inc.

**Statement of Activities
For the Year Ended June 30, 2019**

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Other Support			
Conference and meeting income	\$ 117,640	\$ -	\$ 117,640
Contributions	12,949	1,513,422	1,526,371
COPN Charity Care	-	172,309	172,309
Net investment return	11,456	-	11,456
Management fees	439,090	-	439,090
Membership dues	100,246	-	100,246
State funding	6,755,886	-	6,755,886
Net assets released from restrictions	1,547,214	(1,547,214)	-
Total revenues and other support	8,984,481	138,517	9,122,998
Grants and Other Functional Expenses			
Program services	615,385	-	615,385
Management and general	127,816	-	127,816
Fundraising	44,656	-	44,656
Member clinic contractual fees	7,999,866	-	7,999,866
COPN Charity Care payments	172,309	-	172,309
Total expenses	8,960,032	-	8,960,032
Change in net assets	24,449	138,517	162,966
Net assets, beginning	560,664	7,680	568,344
Net assets, ending	\$ 585,113	\$ 146,197	\$ 731,310

See Notes to Financial Statements

Virginia Association of Free and Charitable Clinics, Inc.

*Statement of Functional Expenses
For the Year Ended June 30, 2020*

	Program Services	Management & General	Fundraising
Salaries	\$ 196,959	\$ 57,417	\$ 36,194
Employee benefits	18,698	4,134	3,836
Payroll taxes	14,268	5,613	2,893
Total salaries and related expenses	229,925	67,164	42,923
Board and committee support	2,692	317	158
Conferences	45,617	-	-
Consultants	100,760	-	-
Depreciation	-	598	-
Dues and publications	23,288	6,210	1,553
Insurance	-	8,284	-
Medicaid sponsorship enrollment navigator	80,000	-	-
Office	8,565	1,774	638
Printing	836	138	10
Professional fees	-	39,546	-
Rent	22,847	4,284	1,428
Telephone	5,960	1,589	397
Travel	4,421	261	520
Workshops and other	1,783	-	-
Total expenses	\$ 526,694	\$ 130,165	\$ 47,627

See Notes to Financial Statements

Virginia Association of Free and Charitable Clinics, Inc.

***Statement of Functional Expenses
For the Year Ended June 30, 2019***

	Program Services	Management & General	Fundraising
Salaries	\$ 220,838	\$ 57,264	\$ 33,397
Employee benefits	17,000	3,328	2,780
Payroll taxes	15,476	5,689	2,542
Total salaries and related expenses	253,314	66,281	38,719
Board and Committee Support	5,787	681	340
Conferences	68,431	-	-
Consultants	142,157	-	-
Depreciation	-	530	-
Dues and publications	30,773	8,206	2,052
Insurance	-	8,451	-
Medicaid sponsorship enrollment navigator	40,000	-	-
Office	10,999	2,933	733
Outreach program support	24,750	-	-
Printing	1,500	247	18
Professional fees	-	34,132	-
Rent	22,236	4,169	1,390
Staff development	2,182	253	127
Telephone	5,549	1,480	370
Travel	7,707	453	907
Total expenses	\$ 615,385	\$ 127,816	\$ 44,656

See Notes to Financial Statements

Virginia Association of Free and Charitable Clinics, Inc.

Statements of Cash Flows

For the Years Ended June 30, 2020 and 2019

	2020	2019
Cash Flows from Operating Activities		
Change in net assets	\$ 188,056	\$ 162,966
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	598	530
Realized (gain) loss on sale of investments	67	(3,704)
Unrealized (gain) loss on investments	23,220	(2,984)
Changes in operating assets		
Accounts receivable	(19,541)	10,241
Accrued management fee receivable	(50,564)	6,135
Prepaid expenses	904	1,740
Changes in operating liabilities		
Accounts payable	23,531	11,853
Grants payable	(626,290)	969,817
Accrued expenses	5,581	2,345
Deferred revenue	(16,460)	40,514
Refundable advance	4,123	-
Net cash provided by (used in) operating activities	(466,775)	1,199,453
Cash Flows from Investing Activities		
Purchase of property and equipment	(2,586)	(784)
Purchase of investments	(60,964)	(41,462)
Proceeds from sale of investments	56,417	66,916
Net cash provided by (used in) investing activities	(7,133)	24,670
Net change in cash and cash equivalents	(473,908)	1,224,123
Cash and cash equivalents, beginning	3,192,973	1,968,850
Cash and cash equivalents, ending	\$ 2,719,065	\$ 3,192,973

See Notes to Financial Statements

Virginia Association of Free and Charitable Clinics, Inc.

Notes to Financial Statements

June 30, 2020 and 2019

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 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 net assets with donor restrictions or net assets without donor restrictions.

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 subcontractors 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.

Virginia Association of Free and Charitable Clinics, Inc.

Notes to Financial Statements

June 30, 2020 and 2019

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

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.

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.

Net investment return is reported in the statement of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external investment expenses.

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.

Virginia Association of Free and Charitable Clinics, Inc.

Notes to Financial Statements

June 30, 2020 and 2019

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

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 net asset with donor restrictions 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, net assets with donor restrictions are released and reclassified to net assets without donor restrictions in the statements of activities.

Revenues from exchange contracts are recognized to the extent allowable expenses are incurred under the respective agreements. Management fee revenue is recognized when earned. Revenues from membership dues are recognized over the terms of the memberships. Revenues from program fees are recognized over the terms of the program and the period of service provided. Funds received in advance of exchange contract and program expenses are reported as deferred revenue.

Net assets without donor restrictions

The Organization reports assets whose use is not restricted by donors as net assets without donor restrictions. Contributions are available for unrestricted use unless specifically restricted by the donor. In general, the net assets without donor restrictions 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.

Net assets with donor restrictions

The Organization reports gifts of cash and other assets as net assets with donor restrictions 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, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities and changes in net assets as net assets released from restrictions.

Functional allocation of expenses

The costs of program and supporting services have been summarized on a functional basis in the statement 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.

Virginia Association of Free and Charitable Clinics, Inc.

Notes to Financial Statements

June 30, 2020 and 2019

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

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).

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 2017 to 2019 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, 2020 and 2019. 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, 2020 and 2019.

Note 2. Investments

Investments at June 30, 2020 and 2019 consist of the following:

	June 30, 2020			
	Cost	Fair Value	Gross Unrealized Losses	Gross Unrealized Gains
Money market funds	\$ 9,225	\$ 9,225	\$ -	\$ -
Common stock	168,842	180,027	(14,363)	25,548
	<u>\$ 178,067</u>	<u>\$ 189,252</u>	<u>\$ (14,363)</u>	<u>\$ 25,548</u>

Virginia Association of Free and Charitable Clinics, Inc.

Notes to Financial Statements

June 30, 2020 and 2019

Note 2. Investments (Continued)

	June 30, 2019			
	Cost	Fair Value	Gross Unrealized Losses	Gross Unrealized Gains
Money market funds	\$ 11,821	\$ 11,821	\$ -	\$ -
Common stock	161,766	196,170	(5,055)	39,459
	<u>\$ 173,587</u>	<u>\$ 207,991</u>	<u>\$ (5,055)</u>	<u>\$ 39,459</u>

Note 3. Concentrations of Credit Risk

The Organization grants credit to subcontractors, 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 72% and 74% of its support from the Commonwealth of Virginia and approximately 18% and 16% of its support from one funding source for the years ended June 30, 2020 and 2019, 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.

Note 5. Restrictions on Net Assets

Net assets with donor restrictions are available for the following purposes or period:

	2020	2019
Mel Leaman Memorial Scholarship	\$ 12,062	\$ 8,736
Other	150	150
Medicaid Outreach	-	137,311
PPE Covid-19 Testing	42,000	-
	<u>\$ 54,212</u>	<u>\$ 146,197</u>

Virginia Association of Free and Charitable Clinics, Inc.

Notes to Financial Statements

June 30, 2020 and 2019

Note 5. Restrictions on Net Assets (Continued)

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

	<u>2020</u>	<u>2019</u>
Purpose restrictions accomplished:		
Grants made from COPN Charity Care funds	\$ 1,660,523	\$ 172,309
Mel Leaman Memorial Scholarship	1,125	1,716
Medicaid Outreach	137,311	1,373,189
PPE Covid-19 Testing	23,000	-
	<u>\$ 1,821,959</u>	<u>\$ 1,547,214</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, 2020 and 2019

Note 6. Fair Value Measurements (Continued)

The classification of investments by level within the valuation hierarchy as of June 30, 2020 and 2019 is as follows:

	Fair Value Measurements at Reporting Date Using			
	June 30			
	2020	Level 1	Level 2	Level 3
Assets				
Money market funds	\$ 9,225	\$ 9,225	\$ -	\$ -
Common stock:				
Communications services	9,032	9,032	-	-
Consumer discretionary	12,954	12,954	-	-
Consumer staples	25,856	25,856	-	-
Energy	9,441	9,441	-	-
Financials	36,238	36,238	-	-
Health care	23,622	23,622	-	-
Industrials	18,542	18,542	-	-
Information technology	20,469	20,469	-	-
Real estate investment trusts	15,470	15,470	-	-
Utilities	8,403	8,403	-	-
	\$ 189,252	\$ 189,252	\$ -	\$ -

	Fair Value Measurements at Reporting Date Using			
	June 30			
	2019	Level 1	Level 2	Level 3
Assets				
Money market funds	\$ 11,821	\$ 11,821	\$ -	\$ -
Common stock:				
Communications services	7,380	7,380	-	-
Consumer discretionary	7,228	7,228	-	-
Consumer staples	24,326	24,326	-	-
Energy	19,116	19,116	-	-
Financials	47,135	47,135	-	-
Health care	24,806	24,806	-	-
Industrials	19,308	19,308	-	-
Information technology	19,819	19,819	-	-
Materials	6,797	6,797	-	-
Real estate investment trusts	14,997	14,997	-	-
Utilities	5,258	5,258	-	-
	\$ 207,991	\$ 207,991	\$ -	\$ -

Virginia Association of Free and Charitable Clinics, Inc.

Notes to Financial Statements

June 30, 2020 and 2019

Note 7. Functionalized Expenses

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocable include salaries and related expenses, board and committee support, dues and publications, office, printing, rent, staff development, telephone, and travel.

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, 2020 and 2019 was \$28,559 and \$27,795, respectively. During fiscal year 2019, the lease agreement was renewed for an additional term from August 1, 2019 to July 31, 2022. The minimum long-term rental commitments under this noncancelable lease as of June 30, 2020 are as follows:

June 30, 2021	\$	29,488
June 30, 2022		30,372
June 30, 2023		2,537
	\$	<u>62,397</u>

Note 9. Donated Services

During the years ended June 30, 2020 and 2019, 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 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, 2020 and 2019 was \$4,785 and \$9,302, respectively.

Virginia Association of Free and Charitable Clinics, Inc.

Notes to Financial Statements

June 30, 2020 and 2019

Note 11. Liquidity and Availability of Financial Assets

Financial assets available for general expenditure that is, without donor or other restrictions limiting their use, within one year of June 30, 2020 and 2019 are:

	<u>2020</u>	<u>2019</u>
Cash	\$ 2,719,065	\$ 3,192,973
Accounts receivable	33,224	13,683
Accrued management fee receivable	162,773	112,209
Investments	189,252	207,991
Total financial assets	3,104,313	3,526,856
Less financial assets held to meet donor-imposed restrictions		
Purpose-restricted net assets	54,212	146,197
Amounts available for general expenditures within one year	\$ 3,050,101	\$ 3,380,659

Of the financial assets, \$2,108,939 and \$2,735,229 of the amounts available for general expenditures within one year have been designated to be disbursed to member clinics and are recorded as grants payable as of June 30, 2020 and 2019. As part of its liquidity management, the Organization holds a diversified portfolio of liquid assets, including marketable equity securities and money market funds. Management and the Board of Directors regularly monitor the liquidity needs of the Organization.

Note 12. COVID-19 and Payroll Protection Program Loan

On January 30, 2020, the World Health Organization declared the COVID-19 outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. COVID-19 and actions to mitigate it have had, and are expected to continue to have, an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Organization operates. The extent to which the COVID-19 pandemic may impact operating results, financial condition, and cash flows will depend on future developments, which are highly uncertain and cannot be predicted as of the date of this report. The Organization is adequately capitalized and continues to evaluate operational impacts and implement mitigation tactics where possible and necessary.

Virginia Association of Free and Charitable Clinics, Inc.

Notes to Financial Statements

June 30, 2020 and 2019

Note 12. COVID-19 and Payroll Protection Program Loan (Continued)

In response to the Coronavirus pandemic, Congress established the Paycheck Protection Program (the PPP) to provide relief to small businesses during the Coronavirus pandemic as part of the \$2 trillion Coronavirus Aid, Relief, and Economic Security (CARES) Act, P.L. 116-136. The legislation authorized Treasury to use the SBA's 7(a) small business lending program to fund loans of up to \$10 million per borrower that qualifying businesses could spend to cover payroll, mortgage interest, rent, and utilities. The Organization applied for the PPP and was given a loan in the amount of \$60,700. Interest in the amount of 1% is due and payable at the time of the SBA's measurement of possible forgiveness. The loan is to be repaid within two years from date of funding of May 9, 2020.

The Organization has accounted for the proceeds as a financial liability in accordance with ASC 958-605, *Not-for-Profit Entities: Revenue Recognition*. Under this standard, a transfer of assets that is a conditional contribution is accounted for as a refundable advance until the conditions have been substantially met or explicitly waived by the resource provider. Based on the criteria, the Organization has determined that it has substantially met the conditions for loan forgiveness by incurring qualifying expenses of \$56,577 as of June 30, 2020 and as such has recognized contribution income of \$56,577 with the remaining \$4,123 recognized as a refundable advance on the statements of financial position.

Note 13. Subsequent Events

Management has evaluated subsequent events through October 29, 2020, the date the financial statements were available for issue.