



**VIRGINIA ASSOCIATION OF FREE
AND CHARITABLE CLINICS, INC.**

FINANCIAL STATEMENTS

June 30, 2021 and 2020

Virginia Association of Free and Charitable Clinics, Inc.

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***Independent Auditor's Report on Financial Statements and Supplementary Schedule of
Expenditures of Federal Awards***

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 statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses, and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Virginia Association of Free and Charitable Clinics, Inc. as of June 30, 2021, and the change in its net assets and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements as of June 30, 2020, were audited by Mitchell, Wiggins & Company, LLP, who merged with Brown, Edwards & Company, L.L.P. as of November 1, 2021, and whose report dated October 29, 2020, expressed an unmodified opinion on those statements.

Other Matters – Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 4, 2022, on our consideration of Virginia Association of Free and Charitable Clinics, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Virginia Association of Free and Charitable Clinics, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Virginia Association of Free and Charitable Clinics, Inc.'s control over financial reporting and compliance.

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Petersburg, Virginia
January 4, 2022

Virginia Association of Free and Charitable Clinics, Inc.

***Statements of Financial Position
June 30, 2021 and 2020***

Assets	2021	2020
Cash	\$ 2,513,969	\$ 2,719,065
Accounts receivable	384,627	33,224
Accrued management fee receivable	124,810	162,773
Prepaid expenses	7,596	6,101
Investments	265,332	189,252
Deposit	2,000	2,000
Furniture, fixtures and equipment, less accumulated depreciation \$13,612 in 2021; \$14,593 in 2020	4,678	3,467
Total assets	\$ 3,303,012	\$ 3,115,882
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 2,953	\$ 38,709
Grants payable	2,015,881	2,108,939
Accrued expenses	26,087	20,691
Deferred revenue	25,400	24,054
Refundable advance	63,000	4,123
Total liabilities	2,133,321	2,196,516
Net Assets		
Without donor restrictions	1,140,519	865,154
With donor restrictions	29,172	54,212
Total net assets	1,169,691	919,366
Total liabilities and net assets	\$ 3,303,012	\$ 3,115,882

See Notes to Financial Statements

Virginia Association of Free and Charitable Clinics, Inc.

Statement of Activities
For the Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Other Support			
Conference and meeting income	\$ 86,639	\$ -	\$ 86,639
Contributions and grants	69,547	22,385	91,932
COPN Charity Care	699,998	-	699,998
Net investment return	76,143	-	76,143
Management fees	499,098	-	499,098
Membership dues	95,750	-	95,750
State funding grants	9,796,400	-	9,796,400
Program fees - SEM project	23,952	-	23,952
Payroll Protection Program grant	4,123	-	4,123
Net assets released from restrictions	47,425	(47,425)	-
Total revenues and other support	11,399,075	(25,040)	11,374,035
Grants and Other Functional Expenses			
Program services	601,039	-	601,039
Management and general	148,509	-	148,509
Fundraising	51,339	-	51,339
Member clinic contractual fees	9,622,825	-	9,622,825
COPN Charity Care payments	699,998	-	699,998
Total grants and other functional expenses	11,123,710	-	11,123,710
Change in net assets	275,365	(25,040)	250,325
Net assets, beginning	865,154	54,212	919,366
Net assets, ending	\$ 1,140,519	\$ 29,172	\$ 1,169,691

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 and grants	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 grants	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 grants and other functional 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 Functional Expenses
For the Year Ended June 30, 2021***

	Program Services	Management & General	Fundraising
Salaries	\$ 224,310	\$ 64,665	\$ 39,236
Employee benefits	26,320	7,588	4,604
Payroll taxes	15,991	6,238	3,763
Total salaries and related expenses	266,621	78,491	47,603
Board and committee support	326	38	19
Conferences	14,419	-	-
Consultants and other clinic support	262,750	-	-
Depreciation	-	1,006	-
Dues and publications	18,314	4,885	1,221
Insurance	-	8,209	-
Office	6,396	1,882	426
Printing	617	102	7
Professional fees	-	47,693	-
Rent	23,590	4,423	1,474
Staff development	728	86	43
Telephone	6,089	1,624	406
Travel	1,189	70	140
Total expenses	\$ 601,039	\$ 148,509	\$ 51,339

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 and other clinic support	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.

Statements of Cash Flows

For the Years Ended June 30, 2021 and 2020

	2021	2020
Cash Flows from Operating Activities		
Change in net assets	\$ 250,325	\$ 188,056
 Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	1,006	598
Realized (gain) loss on sale of investments	(8,507)	67
Unrealized (gain) loss on investments	(64,084)	23,220
Changes in operating assets		
Accounts receivable	(351,403)	(19,541)
Accrued management fee receivable	37,963	(50,564)
Prepaid expenses	(1,495)	904
Changes in operating liabilities		
Accounts payable	(35,756)	23,531
Grants payable	(93,058)	(626,290)
Accrued expenses	5,396	5,581
Deferred revenue	1,346	(16,460)
Refundable advance	58,877	4,123
Net cash (used in) operating activities	(199,390)	(466,775)
 Cash Flows from Investing Activities		
Purchase of property and equipment	(2,217)	(2,586)
Purchase of investments	(69,411)	(60,964)
Proceeds from sale of investments	65,922	56,417
Net cash (used in) investing activities	(5,706)	(7,133)
 Net change in cash	(205,096)	(473,908)
 Cash, beginning	2,719,065	3,192,973
 Cash, ending	\$ 2,513,969	\$ 2,719,065

See Notes to Financial Statements

Virginia Association of Free and Charitable Clinics, Inc.

Notes to Financial Statements

June 30, 2021 and 2020

Note 1. Nature of Business and Summary of 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, 2021 and 2020

Note 1. Nature of Business and Summary of 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 statements 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 statements 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, 2021 and 2020

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

Revenue recognition

The Financial Accounting Standards Board (FASB) Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers*, as amended, supersede or replaces nearly all GAAP revenue recognition guidance. These standards establish a new contract and control-based revenue recognition model, change the basis for deciding when revenue is recognized over time or at a point in time, and expand disclosures about revenue.

The Organization's revenue consists of contributions, grants, membership fees, management fees, and program fees. Below is a summary of the Organization's significant revenue streams:

Contributions and grants:

The Organization receives contributions and grants to fund the mission of the Organization. These revenues are scoped out of ASC 606 and are recorded in which the promise to give is made, in accordance with ASC 958. 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. Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized.

Revenues from cost reimbursement grants are recognized to the extent allowable expenses are incurred under the respective agreements. Amounts reported as accounts receivable include grant program expenses incurred in advance of the receipt of funds. Funds received in advance of grant program expenses are reported as deferred revenue.

Management fees, membership dues, and program fees:

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 being earned results in a contract liability (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.

Virginia Association of Free and Charitable Clinics, Inc.

Notes to Financial Statements

June 30, 2021 and 2020

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

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 statements 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 statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

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 2018 to 2020 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, 2021 and 2020. 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, 2021 and 2020.

Virginia Association of Free and Charitable Clinics, Inc.

Notes to Financial Statements

June 30, 2021 and 2020

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

Recently issued accounting standards

The Organization has adopted Accounting Standards Update No. 2014-09-*Revenue from Contracts with Customers* (Topic 606), as amended, as management believes the standard improves the usefulness and understandability of the Organization's financial reporting. Analysis of provisions of this standard resulted in no significant changes in the way the Organization recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis.

Note 2. Investments

Investments at June 30, 2021 and 2020 consist of the following:

June 30, 2021				
	Cost	Fair Value	Gross Unrealized Losses	Gross Unrealized Gains
Money market funds	\$ 7,929	\$ 7,929	\$ -	\$ -
Common stock	182,134	257,403	(2,956)	78,225
	<u>\$ 190,063</u>	<u>\$ 265,332</u>	<u>\$ (2,956)</u>	<u>\$ 78,225</u>

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>

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.

Virginia Association of Free and Charitable Clinics, Inc.

Notes to Financial Statements

June 30, 2021 and 2020

Note 4. Economic Dependency

The Organization received approximately 86% and 72% of its support from the Commonwealth of Virginia and approximately 5% and 18% of its support from one funding source for the years ended June 30, 2021 and 2020, 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:

	2021	2020
Mel Leaman Memorial Scholarship	\$ 16,373	\$ 12,062
Other	150	150
Americares grant	6,298	-
PPE Covid-19 Testing	6,351	42,000
	<u>\$ 29,172</u>	<u>\$ 54,212</u>

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

	2021	2020
Purpose restrictions accomplished:		
Grants made from COPN Charity Care funds	\$ -	\$ 1,660,523
Mel Leaman Memorial Scholarship	575	1,125
Medicaid Outreach	-	137,311
PPE Covid-19 Testing	40,648	23,000
Americares	6,202	-
	<u>\$ 47,425</u>	<u>\$ 1,821,959</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:

Virginia Association of Free and Charitable Clinics, Inc.

Notes to Financial Statements

June 30, 2021 and 2020

Note 6. Fair Value Measurements (Continued)

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.

The classification of investments by level within the valuation hierarchy as of June 30, 2021 and 2020 is as follows:

	Fair Value Measurements at Reporting Date Using			
	June 30 2021	Level 1	Level 2	Level 3
Assets				
Money market funds	\$ 7,929	\$ 7,929	\$ -	\$ -
Common stock:				
Large Cap	156,641	156,641	-	-
Mid Cap	45,091	45,091	-	-
Small Cap	8,102	8,102	-	-
International	47,569	47,569	-	-
	\$ 265,332	\$ 265,332	\$ -	\$ -

Virginia Association of Free and Charitable Clinics, Inc.

Notes to Financial Statements

June 30, 2021 and 2020

Note 6. Fair Value Measurements (Continued)

	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	-	-
	<u>\$ 189,252</u>	<u>\$ 189,252</u>	<u>\$ -</u>	<u>\$ -</u>

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 for the years ended June 30, 2021 and 2020 was \$29,487 and \$28,559, 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, 2021 are as follows:

June 30, 2022	\$ 30,372
June 30, 2023	2,537
	<u>\$ 32,909</u>

Virginia Association of Free and Charitable Clinics, Inc.

Notes to Financial Statements

June 30, 2021 and 2020

Note 9. Donated Services

During the years ended June 30, 2021 and 2020, 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, 2021 and 2020 was \$8,509 and \$4,785, respectively.

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, 2021 and 2020 are:

	2021	2020
Cash	\$ 2,513,969	\$ 2,719,065
Accounts receivable	384,627	33,224
Accrued management fee receivable	124,810	162,773
Investments	265,332	189,252
Total financial assets	3,288,738	3,104,314
Less financial assets held to meet donor-imposed restrictions		
Purpose-restricted net assets	29,172	54,212
Amounts available for general expenditures within one year	\$ 3,259,566	\$ 3,050,102

Of the financial assets, \$2,015,881 and \$2,108,939 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, 2021 and 2020. 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.

Virginia Association of Free and Charitable Clinics, Inc.

Notes to Financial Statements

June 30, 2021 and 2020

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.

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 Small Business Administration’s (SBA) 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 first draw of 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. As of June 30, 2020, the Organization had determined that they had substantially met the conditions for loan forgiveness by incurring qualifying expenses of \$56,577 and as such recognized contribution income of \$56,577. The first draw was forgiven by the SBA on April 1, 2021 and the Organization recognized the remaining contribution income of \$4,123 as of June 30, 2021.

The Organization applied for a second draw of the PPP and received a loan in the amount of \$63,000. 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. 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 the date of funding of March 10, 2021. As of June 30, 2021, the Organization has classified the \$63,000 it has received as a refundable advance.

Note 13. Subsequent Events

Management has evaluated subsequent events through January 4, 2022, the date the financial statements were available for issue.



Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Virginia Association of Free and Charitable Clinics, Inc., as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Virginia Association of Free and Charitable Clinics Inc.'s basic financial statements, and have issued our report thereon dated January 4, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Virginia Association of Free and Charitable Clinics Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Virginia Association of Free and Charitable Clinics Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Virginia Association of Free and Charitable Clinic's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we

consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Virginia Association of Free and Charitable Clinic Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Petersburg, Virginia
January 4, 2022



Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by The Uniform Guidance

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

Report on Compliance for Each Major Federal Program

We have audited Virginia Association of Free and Charitable Clinic's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Virginia Association of Free and Charitable Clinics Inc.'s major federal programs for the year ended June 30, 2021. Virginia Association of Free and Charitable Clinics Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Virginia Association of Free and Charitable Clinics Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Virginia Association of Free and Charitable Clinics Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Virginia Association of Free and Charitable Clinic's compliance.

Opinion on Each Major Federal Program

In our opinion, Virginia Association of Free and Charitable Clinics, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control over Compliance

Management of Virginia Association of Free and Charitable Clinics, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Virginia Association of Free and Charitable Clinics, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Virginia Association of Free and Charitable Clinics, Inc.'s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Petersburg, Virginia
January 4, 2022

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2021

Federal Grantor/Pass-Through Grantor/Program Title	Federal AL Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
Department of Treaury				
Coronavirus Relief Fund for States, Tribal Governments and Certain Eligible Local Governments				
Viginia Department of Health	21.019	VDH-21-501-0094	\$ -	\$ 3,000,000
Department of Health and Human Services				
Center for Diseease Control				
Americare Foundation, Inc.				
Reinforcing Confidence in COVID-19 Vaccines	93.318	900-DB02-211	-	6,202
Total Expenditures of Federal Awards			\$ -	\$ 3,006,202

See Notes to Schedule of Expenditures of Federal Awards

Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2021

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Virginia Association of Free and Charitable Clinics, Inc. under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Virginia Association of Free and Charitable Clinics, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Virginia Association of Free and Charitable Clinics, Inc.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Note 3. Indirect Cost Rate

Virginia Association of Free and Charitable Clinics, Inc. has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Schedule of Findings and Questioned Costs
Year Ended June 30, 2021

SECTION I: SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

_____ Yes X No

Significant deficiency(ies) identified?

_____ Yes X None reported

Noncompliance material to financial statements noted?

_____ Yes X No

Federal Awards

Internal control over major programs:

Material weakness(es) identified?

_____ Yes X No

Significant deficiency(ies) identified?

_____ Yes X None reported

Type of auditor's report issued on compliance for major federal programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a)?

_____ Yes X No

Identification of major programs:

AL Number(s)

Name of Federal Program or Cluster

21.019

United States Department of Treasury,
 Coronavirus Relief Fund for States, Tribal
 Governments and Certain Eligible Local
 Governments,

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2021

SECTION I: SUMMARY OF AUDITOR'S RESULTS (Continued)

Dollar threshold used to distinguish between
type A and type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?

 Yes X No

SECTION II: FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION III: FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

No matters were reported