

**NORTH CAROLINA ASSOCIATION
OF FREE AND CHARITABLE CLINICS, INC.**

Financial Statements

Years Ended December 31, 2019 and 2018



Crouch Joslyn Good
Certified Public Accountants

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Crouch Joslyn Good^{PLLC}
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board Members of
North Carolina Association of Free and Charitable Clinics, Inc.
Winston-Salem, North Carolina

We have audited the accompanying financial statements of North Carolina Association of Free and Charitable Clinics, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2019 and 2018, and 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 North Carolina Association of Free and Charitable Clinics, Inc. as of December 31, 2019 and 2018, and the changes 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.

Crouch Joslyn Good PLLC

Winston-Salem, North Carolina
November 5, 2020

NORTH CAROLINA ASSOCIATION OF FREE AND CHARITABLE CLINICS, INC.

STATEMENTS OF FINANCIAL POSITION

December 31, 2019 and 2018

	2019	2018
ASSETS		
CURRENT ASSETS:		
Cash	\$ 815,329	\$ 608,169
Prepaid expenses	2,117	6,220
Accounts receivable - grantors	-	23,789
Accounts receivable - other	1,076	291
Accounts receivable - employee advances	-	718
	818,522	639,187
PROPERTY AND EQUIPMENT:		
Office equipment	17,271	17,271
Furniture, fixtures and improvements	14,957	14,957
Computer software	21,224	21,224
	53,452	53,452
Less: accumulated depreciation	43,391	36,424
	10,061	17,028
OTHER ASSETS:		
Rent deposit	1,884	1,884
	1,884	1,884
	830,467	658,099
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Cash - overdraft	\$ -	\$ -
Accounts payable	33,573	22,116
Payroll liabilities	18,631	15,686
Deferred revenue - membership	19,806	19,089
	72,010	56,891
NET ASSETS		
Without donor restrictions		
Unrestricted	397,254	368,574
With donor restrictions		
Temporarily restricted	361,203	232,634
	758,457	601,208
	830,467	658,099

The accompanying notes are an integral part of this statement.

NORTH CAROLINA ASSOCIATION OF FREE AND CHARITABLE CLINICS, INC.

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Foundation grants	\$ 66,755	\$ 1,432,000	\$ 1,498,755
Other grants and contracts	250	105,544	105,794
Conference income	16,205	-	16,205
Membership	37,449	-	37,449
Investment income	13,767	-	13,767
Donations	4,436	-	4,436
Donations in kind	-	-	-
Other	1,002	-	1,002
	<u>139,864</u>	<u>1,537,544</u>	<u>1,677,408</u>
Net assets released from restrictions	<u>1,408,975</u>	<u>(1,408,975)</u>	<u>-</u>
	<u>1,548,839</u>	<u>128,569</u>	<u>1,677,408</u>
EXPENSES:			
Program services	1,024,226	-	1,024,226
General and administrative	205,967	-	205,967
Fundraising	54,221	-	54,221
Member services	235,745	-	235,745
	<u>1,520,159</u>	<u>-</u>	<u>1,520,159</u>
CHANGE IN NET ASSETS	28,680	128,569	157,249
NET ASSETS AT BEGINNING OF YEAR	<u>368,574</u>	<u>232,634</u>	<u>601,208</u>
NET ASSETS - END OF YEAR	<u>\$ 397,254</u>	<u>\$ 361,203</u>	<u>\$ 758,457</u>

The accompanying notes are an integral part of this statement.

NORTH CAROLINA ASSOCIATION OF FREE AND CHARITABLE CLINICS, INC.

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Foundation grants	\$ -	\$ 1,191,000	\$ 1,191,000
Other grants and contracts	3,587	26,456	30,043
Conference income	15,825	-	15,825
Membership	35,045	-	35,045
Investment income	962	-	962
Donations	7,847	20,000	27,847
Donations in kind	1,213	-	1,213
Other	1,500	-	1,500
	65,979	1,237,456	1,303,435
Net assets released from restrictions (restated)	1,054,822	(1,054,822)	-
	1,120,801	182,634	1,303,435
EXPENSES:			
Program services	734,677	-	734,677
General and administrative	209,021	-	209,021
Fundraising	48,349	-	48,349
Member services	158,153	-	158,153
	1,150,200	-	1,150,200
CHANGE IN NET ASSETS	(29,399)	182,634	153,235
NET ASSETS AT BEGINNING OF YEAR (restated)	397,973	50,000	447,973
NET ASSETS - END OF YEAR	\$ 368,574	\$ 232,634	\$ 601,208

The accompanying notes are an integral part of this statement.

NORTH CAROLINA ASSOCIATION OF FREE AND CHARITABLE CLINICS, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2019

	Program Services	General and Administrative	Fund- raising	Member Services	Total
EXPENSES:					
Grants and assistance	\$ 343,550	\$ 8,554	\$ -	\$ 31,010	\$ 383,114
Stipends and subrecipient expense	207,646	-	-	-	207,646
Salaries	145,058	46,914	43,138	99,547	334,657
Payroll taxes	7,230	8,509	3,165	6,655	25,559
Employee benefits	5,543	47,782	-	3,421	56,746
Insurance	590	3,850	315	1,219	5,974
Printing and postage	-	2,963	-	-	2,963
Conferences and conventions	1,447	4,417	-	-	5,864
Office supplies	474	643	165	638	1,920
Telephones	1,411	2,445	752	2,915	7,523
Communications	-	7,643	-	-	7,643
Rent	4,927	7,990	2,434	9,202	24,553
Professional fees	299,297	13,625	3,243	64,983	381,148
Dues and subscriptions	-	2,920	-	-	2,920
Travel and entertainment	4,302	9,875	-	3,034	17,211
Meetings	259	18,361	-	9,211	27,831
Repair and maintenance	-	56	-	-	56
Member projects	-	-	-	-	-
Technology project	2,372	4,090	1,009	3,910	11,381
Payroll processing	-	2,035	-	-	2,035
Member benefits	-	4,375	-	-	4,375
Miscellaneous	120	1,953	-	-	2,073
Depreciation	-	6,967	-	-	6,967
	<u>\$ 1,024,226</u>	<u>\$ 205,967</u>	<u>\$ 54,221</u>	<u>\$ 235,745</u>	<u>\$ 1,520,159</u>

The accompanying notes are an integral part of this statement.

NORTH CAROLINA ASSOCIATION OF FREE AND CHARITABLE CLINICS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2018

	Program Services	General and Administrative	Fund- raising	Member Services	Total
EXPENSES:					
Grants and assistance	\$ 399,452	\$ -	\$ -	\$ -	\$ 399,452
Salaries	132,457	80,899	37,329	88,614	339,299
Payroll taxes	8,078	9,313	2,226	6,709	26,326
Employee benefits	6,712	63,854	-	489	71,055
Insurance	996	1,727	531	2,059	5,313
Printing and postage	-	2,973	-	17	2,990
Conferences and conventions	1,872	5,126	-	-	6,998
Office supplies	1,202	2,039	264	1,230	4,735
Telephones	1,329	2,304	709	2,747	7,089
Communications	-	8,674	-	-	8,674
Rent	5,194	9,002	2,770	10,734	27,700
Professional fees	169,065	8,938	2,750	18,157	198,910
Dues and subscriptions	-	920	-	-	920
Travel and entertainment	3,054	3,148	-	10,108	16,310
Meetings	-	1,323	-	10,445	11,768
Repair and maintenance	-	56	-	-	56
Member projects	-	-	-	-	-
Technology project	2,186	3,770	974	3,759	10,689
Payroll processing	-	2,097	-	-	2,097
Contributions	-	-	-	-	-
Miscellaneous	1,587	269	-	-	1,856
Depreciation	1,493	2,589	796	3,085	7,963
	<u>\$ 734,677</u>	<u>\$ 209,021</u>	<u>\$ 48,349</u>	<u>\$ 158,153</u>	<u>\$ 1,150,200</u>

The accompanying notes are an integral part of this statement.

NORTH CAROLINA ASSOCIATION OF FREE AND CHARITABLE CLINICS, INC.

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2019 and 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase (Decrease) in net assets	\$ 157,249	\$ 153,235
Adjustment to reconcile increase (decrease) in net assets to net cash provided by operations:		
Depreciation	6,967	7,963
(Increase) Decrease in accounts receivable grantor	23,789	(23,789)
(Increase) Decrease in accounts receivable other	(66)	(422)
(Increase) Decrease in prepaid expenses	4,103	(1,025)
Increase (Decrease) in accounts payable	11,457	18,838
Increase (Decrease) in payroll liabilities	2,944	7,396
Increase (Decrease) in deferred revenues	717	12,440
	207,160	174,636
CASH FLOWS FROM INVESTING ACTIVITIES:		
Payments for property and equipment	-	(4,794)
	-	(4,794)
INCREASE (DECREASE) IN CASH	207,160	169,842
Cash at beginning of the year	608,169	438,327
CASH AT END OF YEAR	\$ 815,329	\$ 608,169

The accompanying notes are an integral part of this statement.

NORTH CAROLINA ASSOCIATION OF FREE AND CHARITABLE CLINICS, INC.

Notes to Financial Statements

December 31, 2019

Note 1 – Nature of Organization and Significant Accounting Policies

Nature of organization: The North Carolina Association of Free and Charitable Clinics, Inc. (NCAFCC) is a North Carolina not-for-profit corporation (501(c)(3) tax exempt) organized to conduct advocacy, research, public relations, resource development, training and technical assistance for its member Free Clinics and the people they serve. The underlying goal of NCAFCC is to serve the uninsured and underinsured people of North Carolina. Funding for the programs carried out by the Association has been received from various sources including private foundations, charitable trusts, other tax-exempt organizations, annual conference receipts, private contributions and membership fees (charged to all member clinics).

Beginning in the year 2018 the Association changed accounting policies related to the presentation of its financial statements by adopting FASB Accounting Standards Update (ASU) No. 2016-14, Presentation of Financial Statements of Not-for-Profit Entities.

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the NCAFCC and changes therein are classified and reported as follows:

Net Assets without Donor Restrictions - The part of net assets of a not-for-profit entity that is not subject to donor-imposed restrictions (donors include other types of contributors, including makers of certain grants).

Net Assets with Donor Restrictions - The part of net assets of a not-for-profit entity that is subject to donor-imposed restrictions (donors include other types of contributors, including makers of certain grants).

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the NCAFCC and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by NCAFCC. Generally, the donors of these assets would permit the NCAFCC to use all or part of the income earned on any related investments for general or specific purposes. There are no permanently restricted net assets at this time.

Revenue recognition: Support that is restricted by the donor is reported as an increase in restricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor restricted support is reported as an increase in temporarily (or permanently restricted, if applicable) net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Basis of accounting and financial statement presentation: The accompanying financial statements have been prepared using the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (GAAP).

Fair value of financial instruments: The carrying values of cash and cash equivalents, investments, accounts payable and other accrued liabilities approximate fair value as of December 31, 2019 and 2018.

NORTH CAROLINA ASSOCIATION OF FREE AND CHARITABLE CLINICS, INC.

**Notes to Financial Statements
December 31, 2019**

Note 1 – Nature of Organization and Significant Accounting Policies (continued)

Property and equipment: Property and equipment are stated at cost, or if donated they are recorded as support at their estimated fair value at the date of donation. Depreciation is provided on the straight-line method over the estimated useful lives of the assets, generally 5 to 15 years. It is the management's policy to capitalize all significant asset acquisitions that have an expected useful life greater than one year. The Association does not have any contributed long-lived assets with donor restrictions.

Intangible assets: Intangible assets are included with property and equipment for reporting purposes. Management evaluates the recoverability of intangible assets periodically by taking into account events or circumstances that may warrant revised estimates of useful lives or that indicate that the asset may be impaired. The fair value of the Association's intangible assets are estimated and compared to carrying value.

Use of estimates: The preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported support, revenue and expenses. Estimates were made by management regarding the useful lives of property and equipment. Management also estimates that all accounts receivable, if any, will be received and that an allowance for doubtful accounts is not necessary. Actual results could differ from those estimates.

Income tax status: NCAFCC is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and North Carolina General Statute 105.130.11(a). Therefore, no provision has been made for income taxes. See Note 6.

Concentration of credit risk: The Association maintains significant cash deposit accounts and money market accounts with a single bank that would ordinarily at times exceed federally insured limits. The Company has never experienced any losses on its cash deposits. The amount in excess of FDIC insurance limits was \$562,522 and \$346,957 at December 31, 2019 and 2018 respectively.

Contribution of assets other than cash: The organization reports contributions of assets other than cash at their estimated fair market value. These contributions amounted to \$-0- and \$1,213 during the years ended December 31, 2019 and 2018 respectively.

Cash equivalents: The Association considers short-term investments that are highly liquid to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash at the day of purchase, and they have a maturity date no longer than ninety days.

Accounts receivable: The Association recognizes receivables from grantors when qualifying expenditures have been incurred and relevant available funding has not been received. Based on past experience with the collectability of qualifying expenditures the Association does not consider an allowance necessary.

Functional allocation of expenses: The costs of providing the various programs and activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefitted based on the Association's ongoing analysis. Salaries are allocated based on the amount of time devoted by various employees to the various purposes. Other costs are likewise allocated based on the Association's analysis and judgement of the purposes benefitted.

NORTH CAROLINA ASSOCIATION OF FREE AND CHARITABLE CLINICS, INC.

**Notes to Financial Statements
December 31, 2019**

Note 1 – Nature of Organization and Significant Accounting Policies (continued)

Concentration of support: The Association received a significant amount of its support from a three-year \$2,812,000 initiative to provide resources to enhance member clinics' ability to provide high quality care for the uninsured and underinsured people of North Carolina. The grant, from the Blue Cross and Blue Shield of North Carolina Foundation, began January 20, 2017 and ended December 31, 2019. This funding from the Blue Cross and Blue Shield of North Carolina Foundation represented 76% and 79% of the Association's recognized total support for the years ended December 31, 2019 and 2018, respectively.

Note 2 – Property and Equipment

The following is an analysis of property and equipment by major category.

	<u>2019</u>	<u>2018</u>
Furniture and fixtures	\$ 13,457	\$ 13,457
Computer equipment	15,240	15,240
Other equipment	2,031	2,031
Computer software	21,224	21,224
Leasehold improvements	1,500	1,500
	<hr/>	<hr/>
	53,452	53,452
Less accumulated depreciation and amortization	43,391	36,424
	<hr/>	<hr/>
	\$ 10,061	\$ 17,028

Depreciation and amortization expense for the years ended December 31, 2019 and 2018 was \$6,967 and \$7,963 respectively.

Note 3 – Retirement Benefits

NCAFCC participates in 403(b) annuity plan sponsored by the North Carolina Association of Free and Charitable Clinics, Inc. and employees can voluntarily contribute on a tax deferred basis into the annuity plan subject to IRS limitations. In addition, NCAFCC can make discretionary contributions to the plan for the benefit of its employees. During the year ended December 31, 2019, NCAFCC recognized contributions of \$10,000 to the plan and for 2018, NCAFCC contributed \$10,000 to the plan.

Note 4 – Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes:

	<u>2019</u>	<u>2018</u>
KB Reynolds Charitable Trust/ Winston Salem Foundation:		
Increase Sustainability for Member Clinics	\$ 98,274	\$ 129,591
Blue Cross and Blue Shield of NC Foundation:		
Initiative to Sustain and Expand the Free Clinic Model	232,929	103,043
Foundation for the Carolinas: Training and Enhanced Learning	30,000	-
	<hr/>	<hr/>
	\$ 361,203	\$ 232,634

NORTH CAROLINA ASSOCIATION OF FREE AND CHARITABLE CLINICS, INC.

Notes to Financial Statements December 31, 2019

Note 5 – Lease Commitments

The Association leases its Winston-Salem, North Carolina office space under a three year lease agreement which began July 1, 2019. Rent payments under the agreement are \$2,025 per month plus common area maintenance for the first year with a 3% increase in the rent beginning in July of each subsequent year. The office space monthly rent and common area maintenance for the period ending December 31, 2019 is \$2,117. NCAFCC also leases certain office equipment under operating lease that expires October 2022. The office equipment lease payments are included in the printing and postage expense. Future minimum rental payments required under these leases are as follows:

2020	\$	27,322
2021		27,511
2022		14,642
2023		-
2024 and thereafter		-
	\$	<u>69,475</u>

Rent expenses under this and the prior leases amounted to \$26,652 and \$29,799 for the years ended December 31, 2019 and 2018 respectively.

Note 6 – Public Support

The Association's status as a 501(c)(3) public charity depends upon its ability to maintain the required levels of funding from entities meeting the IRS definition of public support (such as government grants). The levels of support are considered and computed over the most recent five-year period. Only a portion of the support received from the Blue Cross and Blue Shield of North Carolina Foundation (BCBSNCF), the Association's primary benefactor, meets the IRS definition of public support.

Because the Association went through a period in which it did not receive significant other funding (relative to that from BCBSNCF meeting the public support definition during the years 2013 to 2016) the calculation to determine its 501(c)(3) public charity status for 2019 and 2018 has warranted the close attention of management.

The Association has taken steps to maintain its 501(c)(3) public charity status in future periods by diversifying its sources of public support. The Association's public support percentage increased from 2016 to 2019 and management expects this trend to continue. By implementing and attaining the goals of these actions the Association can maintain levels of support that will meet the IRS parameters for 501(c)(3) public charity status. If an entity no longer meets the IRS requirements to be a 501(c)(3) public charity it may qualify as a private foundation for tax purposes.

Note 7 – Prior Period Adjustments

Net assets as of the beginning of the year ended December 31, 2018 have been adjusted to allocate \$26,250 from net assets with donor restrictions to net assets without donor restrictions. Also, for the year ended December 31, 2018 net assets released from restriction have been restated and increased by \$44,952. This adjustment results in an increase in the net assets without donor restrictions of \$44,952 and an equal decrease in the net assets with donor restrictions at year end. Each of these adjustments was the result of expenses that were not initially included on reports submitted to a grantor reflecting grant disbursements for the period.

NORTH CAROLINA ASSOCIATION OF FREE AND CHARITABLE CLINICS, INC.

Notes to Financial Statements December 31, 2019

Note 8 – Availability of Financial Assets

NCAFCC has \$455,202 of financial assets available within 1 year of the balance sheet date to meet cash needs for general expenditure consisting of cash of \$454,126 and receivables of \$1,076. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the balance sheet date.

NCAFCC has a goal to maintain financial assets, which consist of cash and short-term investments, on hand to meet 60 days of normal operating expenses (including employee compensation and related costs allocated to program services), which are, on average, approximately \$106,500. NCAFCC has structured its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, as part of its liquidity management, NCAFCC invests cash in excess of daily requirements in short-term investments through the financial institution that maintains its operating cash account.

NCAFCC has \$361,203 of financial assets available as of the balance sheet date to meet cash needs for restricted and designated expenditure consisting of cash of \$361,203.

Note 9 – Management’s Review of Subsequent Events

The Management has performed an analysis of activities and transactions subsequent to December 31, 2019, to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended December 31, 2019. Management has performed their analysis of subsequent events through November 5, 2020, the date the financial statements were available to be issued and determined that no material subsequent events other than the following:

On March 11, 2020 the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended various mitigation and containment measures worldwide. As of the date of this filing the North Carolina Association of Free and Charitable Clinics, Inc. office remains functioning via work from home arrangements, subject to regulated and/or mandated reductions in their operation. We cannot accurately estimate the length or severity of this pandemic, or how substantially the disruption may impact their overall financial position, results of operations, and cash flows in fiscal year 2020. Management believes the Association will continue to fulfill its mission for the coming year.

