NORTH CAROLINA ASSOCIATION OF FREE AND CHARITABLE CLINICS, INC.

Financial Statements And Compliance Report

Years Ended December 31, 2020 and 2019

Crouch Joslyn Good PLLC
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

Report on the Financial Statements

We have audited the accompanying financial statements of North Carolina Association of Free and Charitable Clinics, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities and changes in net assets, 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 North Carolina Association of Free and Charitable Clinics, Inc. as of December 31, 2020, 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.

Report on Summarized Comparative Information

We have previously audited the North Carolina Association of Free and Charitable Clinics, Inc.'s 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 5, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

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 August 3, 2021, on our consideration of North Carolina 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 solely 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 North Carolina 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 North Carolina Association of Free and Charitable Clinics, Inc.'s internal control over financial reporting and compliance.

Crouch Joslyn Good PLLC

Winston-Salem, North Carolina
August 3, 2021

NORTH CAROLINA ASSOCIATION OF FREE AND CHARITABLE CLINICS, INC.

STATEMENTS OF FINANCIAL POSITION

December 31, 2020 and 2019

	2020	2019
ASSETS		
CURRENT ASSETS:		
Cash operating	$ 1,924,834	$ 454,126
Cash temporarily restricted	3,622,462	361,203
	5,547,296	815,329
Prepaid expenses	3,802	2,117
Accounts receivable - grantors current	750,000	-
Accounts receivable - other	267	1,076
TOTAL CURRENT ASSETS	6,301,365	818,522
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	48,399	43,391
NET PROPERTY AND EQUIPMENT	5,053	10,061
OTHER ASSETS:		
Rent deposit	1,884	1,884
Accounts receivable - grantors noncurrent	1,000,000	
Investments Securities unrestricted	342,086	-
TOTAL OTHER ASSETS	1,343,970	1,884
TOTAL ASSETS	$ 7,650,388	$ 830,467
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	$ 1,382,270	$ 33,573
Payroll liabilities	39,964	18,631
Deferred revenue - membership	9,352	19,806
TOTAL CURRENT LIABILITIES	1,431,586	72,010
NET ASSETS		
Without donor restrictions	846,340	397,254
With donor restrictions	5,372,462	361,203
TOTAL NET ASSETS	6,218,802	758,457
TOTAL LIABILITIES AND NET ASSETS	$ 7,650,388	$ 830,467

The accompanying notes are an integral part of this statement.

NORTH CAROLINA ASSOCIATION OF FREE AND CHARITABLE CLINICS, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Year Ended December 31, 2020
(With Summarized Financial Information for 2019)

	Without Donor Restrictions	With Donor Restrictions	2020 Total	2019 Total
SUPPORT AND REVENUE				
Foundation grants	$ 640,900	$ 2,708,000	$ 3,348,900	$ 1,498,755
Government grants	-	12,425,000.00	12,425,000	-
Other grants and contracts	-	-	-	105,794
Conference income	6,000	-	6,000	16,205
Membership dues	36,734	-	36,734	37,449
Interest income from cash deposits	12,232	-	12,232	13,767
Net investment return	42,245	-	42,245	-
Donations	9,325	-	9,325	4,436
Other	6,837	-	6,837	1,002
	754,273	15,133,000	15,887,273	1,677,408
Net assets released from restrictions	10,121,741	(10,121,741)	-	-
	10,876,014	5,011,259	15,887,273	1,677,408
EXPENSES:				
General and administrative	239,631	-	239,631	205,967
Member services	96,889	-	96,889	235,745
Training, education and TA	26,403	-	26,403	-
Program services	10,031,237	-	10,031,237	1,024,226
Fundraising	32,768	-	32,768	54,221
	10,426,928	-	10,426,928	1,520,159
CHANGE IN NET ASSETS	449,086	5,011,259	5,460,345	157,249
NET ASSETS AT BEGINNING OF YEAR	397,254	361,203	758,457	601,208
NET ASSETS - END OF YEAR	$ 846,340	$ 5,372,462	$ 6,218,802	$ 758,457

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, 2020
(With Summarized Financial Information for 2019)

	General and Administrative	Member Services	Training, Education And TA	BCBS Grant	Biogen Grant	KBR Covid and SI Grant	NCPRO Grant	Fund-raising	2020 Total	2019 Total
EXPENSES:										
Grants and subrecipients	$ -	$ -	$ -	$ 300,000	$ 85,000	$ 248,600	$8,950,495	$ -	$ 9,584,095	$ 383,114
Stipends and assistance	-	-	-	57,803		22,500		-	80,303	207,646
Salaries	108,197	63,783	-	61,033	39,900	43,082	45,289	22,747	384,031	334,657
Payroll taxes	12,408	6,245	-	4,504			3,068	2,130	28,355	25,559
Employee benefits	32,727	-	-	15,573			6,501	-	54,801	56,746
Insurance	4,890	740	-	-				277	5,907	5,974
Printing and postage	2,528	81	-	-		2,341	56	-	5,006	2,963
Staff development	-	-	25,570	5,000				-	30,570	5,864
Office supplies	640	151	833	119		2,367	26	57	4,193	1,920
Telephones	4,630	1,831	-	-				648	7,109	7,523
Communications	7,158	-	-	-		5,775		-	12,933	7,643
Rent	20,003	7,165	-	-				2,687	29,855	24,553
Professional fees	24,370	8,729	-	58,750	11,500	165	3,523	3,274	110,311	381,148
Dues and subscriptions	1,048	-	-	-				-	1,048	2,920
Travel and entertainment	2,406	480	-	33		9,155		-	12,074	17,211
Meetings	840	5,031	-	-				-	5,871	27,831
Repair and maintenance	-	-	-	-				-	-	56
IT Infrastructure/support	7,608	2,653	-	479	48,600			948	60,288	11,381
Payroll processing	1,318	-	-	-				-	1,318	2,035
Member benefits	-	-	-	-				-	-	4,375
Miscellaneous	3,853	-	-	-				-	3,853	2,073
Depreciation	5,007	-	-	-				-	5,007	6,967
	$ 239,631	$ 96,889	$ 26,403	$ 503,294	$ 185,000	$ 333,985	$9,008,958	$ 32,768	$10,426,928	$ 1,520,159

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, 2020 and 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase (Decrease) in net assets	$ 5,460,345	$ 157,249
Adjustment to reconcile increase (decrease) in net assets to net cash provided by operations:		
Depreciation	5,007	6,967
(Increase) Decrease in accounts receivable grantor	(1,750,000)	23,789
(Increase) Decrease in accounts receivable other	809	(66)
(Increase) Decrease in prepaid expenses	(1,685)	4,103
Increase (Decrease) in accounts payable	1,348,697	11,457
Increase (Decrease) in payroll liabilities	21,334	2,944
Increase (Decrease) in deferred revenues	(10,454)	717
NET CASH FROM OPERATING ACTIVITIES	5,074,053	207,160
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(300,000)	
Unrealized gains on investments	(42,086)	-
NET CASH USED BY INVESTING ACTIVITIES	(342,086)	-
INCREASE (DECREASE) IN CASH	4,731,967	207,160
Cash at beginning of the year	815,329	608,169
CASH AT END OF YEAR	$ 5,547,296	$ 815,329
Cash paid during the year for:		
Income taxes	$ -	$ -
Interest expense	$ -	$ -

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, 2020

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).

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: Contributions received are recorded as net assets without restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor restrictions.

Donor-restricted support is reported as an increase is 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.

Also see *Accounting Pronouncements Adopted* below.

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).

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 a cost of $5,000 or more and have an expected useful life greater than one year. The Association does not have any contributed long-lived assets with donor restrictions.

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, 2020 and 2019.

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. Cash deposits are maintained in what management considers to be high credit quality financial institutions. The Company has never experienced any losses on its cash deposits. The amount in excess of FDIC insurance limits was $5,507,133 and $562,522 at December 31, 2020 and 2019 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. The Association has recognized the five year program (beginning February 17, 2020) from the Blue Cross and Blue Shield Community Impact Fund, under the North Carolina Community Foundation as an unconditional promise to give. This program will provide $750,000 in the subsequent year and a total of $1,000,000 over the following three years.

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

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 $-0- during the years ended December 31, 2020 and 2019 respectively.

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.

Accounting Pronouncements Adopted: As of January 1, 2020 the Association adopted the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers, as amended. ASU 2014-09 applies to exchange transactions with customers that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition.

The association implemented ASU 2014-09 and its related amendments and have accordingly presented membership dues revenue in the financial statements. Following the adoption of the ASU, the Association continues to recognize revenue from member clinics as of the beginning of the year the dues are provided for (no right to refund), which corresponds to the year in which the related member services are rendered. There was no material impact to the financial statements as a result of adoption. The ASU has been applied retrospectively to all periods presented, with no effect on net assets or previously issued financial statements.

Indirect costs: Indirect costs are those costs which accrue to the benefit of all grant programs, but are not readily identifiable to a particular program. The North Carolina Association of Free and Charitable Clinics, Inc. has elected not charge indirect costs to the government grant programs.

Prior year information: The financial statements contain certain prior year summarized comparative information in total but not by net asset class or function. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the Untied States of America. Accordingly, such information should be read in conjunction with the Association's financial statements for the year ended December 31, 2019, from which the summarized information was derived.

Concentration of support: The Association received a significant amount of its support from a five-year $2,500,000 and a one year grant of $258,000 to support an initiative to provide resources to enhance member clinics' ability to provide high quality care for the uninsured and underinsured people of North Carolina. The five year grant, from the Blue Cross and Blue Shield of North Carolina Foundation, began February 17, 2020 and ends in 2024. Also, during 2020 the Association received a federal grant through the North Carolina Pandemic Recovery Office (NCPRO) in the amount of $12,425,000. This funding from the Blue Cross and Blue Shield of North Carolina Foundation and the NCPOR represented 97% and 76% of the Association's recognized total support for the years ended December 31, 2020 and 2019, respectively.

NORTH CAROLINA ASSOCIATION OF FREE AND CHARITABLE CLINICS, INC.

Notes to Financial Statements
December 31, 2020

Note 2 – Property and Equipment

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

	2020	2019
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
	53,452	53,452
Less accumulated depreciation and amortization	48,399	43,391
	$ 5,053	$ 10,061

Depreciation and amortization expense for the years ended December 31, 2020 and 2019 was $5,007 and $6,967 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, 2020, NCAFCC recognized contributions of $10,000 to the plan and for 2019, NCAFCC contributed $10,000 to the plan.

Note 4 – Net Assets with Donor Restrictions

Net Assets with donor restrictions consist of temporarily restricted net assets are available for the following purposes:

	2020	2019
North Carolina Pandemic Relief Office		
CARES Act Coronavirus relief	$ 3,416,042	$ -0-
KB Reynolds Charitable Trust/ Winston Salem Foundation:		
Increase Sustainability for Member Clinics	17,523	98,274
Blue Cross and Blue Shield of NC Foundation:		
Initiative to Sustain and Expand the Free Clinic Model	44,966	232,929
Community Impact Fund	1,884,668	-0-
Foundation for the Carolinas: Training and Enhanced Learning	9,263	30,000
	$ 5,372,462	$ 361,203

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, 2020 is $2,338. 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:

2021	$ 27,511
2022	14,642
2023	-
2024	-
2025 and thereafter	-
	$ 42,153

Rent expenses under this and the prior leases amounted to $32,298 and $26,652 for the years ended December 31, 2020 and 2019 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 including the NCPRO Covid Relief Grant). 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.

Note 7 – Availability of Financial Assets

NCAFCC has $6,639,649 of financial assets available within 1 year of the balance sheet date to meet cash needs for general expenditure consisting of cash of $5,547,296, receivables of $750,267, and investments of $342,086. Some of these assets are unavailable for general expenditure within one year due to contractual or donor restrictions. The unavailable financial assets consist of $750,000 restricted by donor with time or purpose restrictions and restricted cash of $3,622,462. The remaining balance of $2,267,187 is available within one year of the December 31, 2020 year end.

NCAFCC manages its liquidity by developing and adopting annual operating budgets that provide for sufficient funds for general expenditures in meeting its liabilities and other deductions as they become due. NCAFCC has a goal to maintain financial assets, which consist of cash and short-term investments, on hand to meet 90 days of normal operating expenses. 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 and other investments with the Foundation for the Carolinas.

Note 8 – Investments

Investments are in a group investment pool and are stated at fair value. The Foundation for the Carolinas (FFTC) provides the fair value amounts. The Association does not own any individual stock/securities, but instead receives a prorated share of the overall earnings of the pool relative to the change in their beneficial interest in trust. The investment account paid management fees of $1,993 and the increase in the fair value of the investments held during the year ended December 31, 2020 of $44,238 are netted to return on investment income.

The Organization's investments are through the Foundation for the Carolinas and are under a fund management agreement at December 31, 2020. The Foundation for the Carolinas has an investment agreement with Mercer Investments LLC, their third party investment administrator. There is no holding periods for requested fund withdrawals however withdrawals in excess of 85% are followed up to determine if there is intent to close the investment. If the fund is closed by NCAFCC a small portion is withheld by FFTC to ensure fees are covered. Fund closing can take from two to four weeks depending on the withdrawal date relative to FFTC's monthly accounting cycle.

The investment pool consists of underlying of cash, equity securities, exchange traded funds and fixed income investments and consist of the following:

	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Cash	$ 159	$ 159	$ -0-
Group Investment Pool	299,841	342,086	42,245
	$ 300,000	$ 342,245	$ 42,245

Fair Value Measurements: FASB ASC 820-10, Fair Value Measurement, defines fair value, establishes a framework for measuring fair value, establishes a three level valuation hierarchy for disclosure of fair value measurement and enhances disclosure requirements for fair value measurements. The valuation hierarchy is based upon transparency of inputs to the valuation of the fair value of an asset or liability as of the measurement date. The three levels are defined as follows:

Level 1 – Fair value based on quoted prices in active markets for identical assets and liabilities.

Level 2 – Fair value is based on observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset or liability.

Level 3 – Fair value based on unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Note 8 – Investments (continued)

	Level 1	Level 2	Level 3	Total
Foundation for the Carolinas:				
Active Long-Term Growth Pool				
US equity securities	$ -0-	$ 126,572	$ -0-	$ 126,572
Emerging markets equity securities		27,367		27,367
International equity securities		85,522		85,522
Fixed income		85,521		85,521
Liquid real assets		17,104		17,104
Cash equivalents		159		159
	$ -0-	$ 342,245	$ -0-	$ 342,245

Because all of the securities investments are held together in a privately managed investment fund (Quasi-Endowed Designated Fund/Active Long-Term Growth Pool) which includes nontraded fixed income funds all investments have been classified as Level 2.

The increase in value of the total investments accounts of $42,245 from the original cost of $300,000 can be attributed to the overall increases in fair market value of the underlying investments combined with undistributed reinvested earnings.

Note 9 – Subsequent Events

On February 11, 2021 the NCAFCC signed an amendment to its grant with North Carolina Pandemic Recovery Office which extended the date by which they must incur expenditures with the CARES Act Coronavirus Relief Funds award from December 31, 2020 to December 31, 2021. Accordingly the balance of the original grant received but unexpended as of December 31, 2020 has been classified as a component of Net Assets With Donor Restrictions rather the Accounts Payable – Grantor.

The Associations has evaluated subsequent events through August 3, 2021, the financial statement issue date.

SUPPLEMENTARY INFORMATION

Crouch Joslyn Good PLLC
Certified Public Accountants

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*

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

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 North Carolina Association of Free and Charitable Clinics, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated August 3, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered North Carolina 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness North Carolina Association of Free and Charitable Clinics, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of North Carolina Association of Free and Charitable Clinics, Inc.'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 North Carolina Association of Free and Charitable Clinics, 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*.

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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 organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Cronch Joslyn Good PLLC

Winston-Salem, North Carolina
August 3, 2021

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

We have audited North Carolina Association of Free and Charitable Clinics, Inc.'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 North Carolina Association of Free and Charitable Clinics, Inc.'s major federal programs for the year ended December 31, 2020. North Carolina 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 North Carolina 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 North Carolina 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 North Carolina Association of Free and Charitable Clinics, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, North Carolina 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 December 31, 2020.

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Report on Internal Control Over Compliance

Management of North Carolina 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 North Carolina 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 North Carolina 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.

Crouch Joslyn Good PLLC

Winston-Salem, North Carolina
August 3, 2021

NORTH CAROLINA ASSOCIATION OF FREE CLINICS, INC.
SCHEDULE OF REVENUES AND EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2020

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Entity Identifying Number	Awards	Expenditures Federal	Pass-through to Subrecipients
FEDERAL AWARDS					
US Department of the Treasury					
Passed through NC Office of State Budget and Management					
NC Pandemic Recovery Office					
COVID-19: Coronavirus Relief Fund	21.019	32-00A	$ 12,425,000	$ 9,008,957	$ 8,950,495
TOTAL FEDERAL AWARDS			$ 12,425,000	$ 9,008,957	$ 8,950,495

See accompanying notes to Schedule of Revenues and Expenditures of Federal Awards.

NORTH CAROLINA ASSOCIATION OF FREE AND CHARITABLE CLINICS, INC.

Notes to Schedule of Revenues and Expenditures of Federal Awards
December 31, 2020

Note 1 – Basis of Presentation

The accompanying schedule of federal and state awards ("Schedule") includes the federal and state grant activity of the North Carolina Association of Free and Charitable Clinics, Inc. under programs of the federal and state government for the year ended December 31, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 US *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Unform Guidance). Because the Schedule presents only a select portion of the operations of the North Carolina 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 the North Carolina 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 cost principles contained in Uniform Guidance and OMB Circular A-122 *Cost Principles for Non-profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3 – Indirect Cost Rate

The North Carolina Association of Free and Charitable Clinics, Inc. has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance. The Association did not allocate indirect costs to the federal program.

Note 4 – Subrecipients

The Association provided grant funds through various subrecipients. Federal financial assistance provided to a subrecipient is treated as an expenditure when it is paid to the subrecipient.

The Association has certain compliance responsibilities with respect to its subrecipients, including monitoring the subrecipients to ensure they use the sub-awards as authorized by law, regulations, and provisions of the grant agreement.

NORTH CAROLINA ASSOCIATION OF FREE AND CHARITABLE CLINICS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2020

Section I-Summary of Auditor's Results

Financial Statements

(i)	Type of auditor's report issued:	Unmodified		
(ii)	Internal control overt financial reporting:			
	(a) Material weakness(es) identified?	_____ yes	X	no
	(b) Significant deficiencies identified?	_____ yes	X	none reported
(iii)	Noncompliance material to financial statements noted	_____ yes	X	no

Federal Awards

(i)	Internal control over major programs:			
	(a) Material weakness(es) identified?	_____ yes	X	no
	(b) Significant deficiencies identified?	_____ yes	X	none reported
(ii)	Type of auditors report issued on compliance for major programs:	Unmodified		
(iii)	Any audit findings disclosed that are required to be reported in accordance with section 510(a) of the Uniform Guidance?	_____ yes	X	no
(iv)	Identification of major programs:			
	CFDA Number(s)	Name of Federal Program		
	21-019	Coronavirus Relief Fund		
(v)	Dollar threshold used to distinguish between type A and type B programs:	$750,000		
(vi)	Auditee qualified as low-risk auditee?	_____ yes	X	no

Section II-Findings related to financial statements which are required to be reported in accordance with generally accepted government auditing standards:

A. Deficiencies in Internal Control

None reported

B. Compliance Findings

None reported

Section III-Findings and questioned costs relating to the major program(s) which were required to be reported in accordance with section 510(a) of the Uniform Guidance:

Findings and Questioned Costs

None reported

NORTH CAROLINA ASSOCIATION OF FREE AND CHARITABLE CLINICS, INC.
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2020

None