

Ohio Association of Free Clinics

Financial Statements

December 31, 2017 and 2016

with Independent Auditors' Report

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INDEPENDENT AUDITORS' REPORT

Board of Directors of
Ohio Association of Free Clinics
Columbus, Ohio

Report on the Financial Statements

We have audited the accompanying financial statements of Ohio Association of Free Clinics (a nonprofit organization), which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities and changes in net assets, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the 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 auditors' 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 Ohio Association of Free Clinics as of December 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
October 12, 2018

Ohio Association of Free Clinics
 Statements of Financial Position
 December 31, 2017 and 2016

Assets	2017	2016
Current assets:		
Cash	\$ 193,390	197,019
Accounts receivable	119,521	184,696
Prepaid expenses	3,540	1,896
Total current assets	316,451	383,611
Furniture and equipment, net	7,749	6,208
Total assets	\$ 324,200	389,819
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 84,812	96,774
Payroll and payroll related liabilities	17,170	32,880
Unearned revenue	-	35,000
Total current liabilities	101,982	164,654
Net assets:		
Unrestricted	222,218	225,165
Total liabilities and net assets	\$ 324,200	389,819

See accompanying notes to the financial statements.

Ohio Association of Free Clinics
 Statements of Activities and Changes in Net Assets
 Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Revenues		
Ohio Department of Health	\$ 399,826	439,402
Grant revenue	558,720	624,946
Contributions	9,000	8,764
Education event	7,833	7,570
Membership dues	21,500	22,600
Other income	9,474	8,979
Interest income	151	150
Total revenues	<u>1,006,504</u>	<u>1,112,411</u>
Expenses:		
Program services	909,934	973,124
Management and general	91,986	98,520
Fundraising	<u>7,531</u>	<u>9,349</u>
Total expenses	<u>1,009,451</u>	<u>1,080,993</u>
Change in net assets	(2,947)	31,418
Net assets at beginning of year	<u>225,165</u>	<u>193,747</u>
Net assets at end of year	\$ <u><u>222,218</u></u>	<u><u>225,165</u></u>

See accompanying notes to the financial statements.

Ohio Association of Free Clinics
Statements of Functional Expenses
Years Ended December 31, 2017 and 2016

	2017				2016			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Salaries and wages	\$ 466,309	37,661	4,185	508,155	524,912	33,749	3,750	562,411
Payroll taxes and benefits	46,058	3,720	413	50,191	31,115	2,000	223	33,338
Total salaries and related expenses	<u>512,367</u>	<u>41,381</u>	<u>4,598</u>	<u>558,346</u>	<u>556,027</u>	<u>35,749</u>	<u>3,973</u>	<u>595,749</u>
Uninsured care distributions	339,852	-	-	339,852	368,424	-	-	368,424
Bank charges	-	833	-	833	-	836	-	836
Contract services	2,585	1,292	2,585	6,462	4,992	2,495	4,992	12,479
Depreciation expense	1,131	1,132	-	2,263	1,540	-	-	1,540
Dues and subscriptions	-	3,251	-	3,251	-	3,572	-	3,572
Equipment	5,029	-	-	5,029	2,962	-	-	2,962
Insurance	-	2,033	-	2,033	-	2,286	-	2,286
Licenses and permits	100	-	-	100	300	-	-	300
Meeting expenses	19,746	1,438	-	21,184	12,674	1,607	-	14,281
Memberships	400	-	-	400	475	-	-	475
Miscellaneous	1,706	1,133	-	2,839	-	9,145	-	9,145
Supplies	1,265	687	-	1,952	1,893	-	-	1,893
Printing and reproduction	3,132	-	348	3,480	3,451	-	384	3,835
Professional fees	-	11,399	-	11,399	-	7,430	-	7,430
Rent	-	23,843	-	23,843	-	23,385	-	23,385
Software	217	-	-	217	107	-	-	107
Telephone	1,020	-	-	1,020	1,140	-	-	1,140
Travel and parking	14,125	3,564	-	17,689	12,774	12,015	-	24,789
Website and technology	7,259	-	-	7,259	6,365	-	-	6,365
Total other expenses	<u>397,567</u>	<u>50,605</u>	<u>2,933</u>	<u>451,105</u>	<u>417,097</u>	<u>62,771</u>	<u>5,376</u>	<u>485,244</u>
Total expenses	\$ <u>909,934</u>	<u>91,986</u>	<u>7,531</u>	<u>1,009,451</u>	<u>973,124</u>	<u>98,520</u>	<u>9,349</u>	<u>1,080,993</u>

See accompanying notes to the financial statements.

Ohio Association of Free Clinics
 Statements of Cash Flows
 Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Change in net assets	\$ (2,947)	31,418
Changes to reconcile change in net assets to net cash from operating activities:		
Depreciation	2,263	1,540
Effects of change in operating assets and liabilities:		
Accounts receivable	65,175	(37,507)
Prepaid expenses	(1,644)	(66)
Accounts payable	(11,962)	2,514
Payroll and payroll related liabilities	(15,710)	16,048
Unearned revenue	<u>(35,000)</u>	<u>35,000</u>
Net cash from operating activities	175	48,947
 Cash flows from investing activities:		
Purchases of furniture and equipment	<u>(3,804)</u>	<u>(3,031)</u>
 Net change in cash and cash equivalents	(3,629)	45,916
 Cash and cash equivalents, beginning of year	<u>197,019</u>	<u>151,103</u>
 Cash and cash equivalents, end of year	\$ <u>193,390</u>	<u>197,019</u>

See accompanying notes to the financial statements.

1. SUMMARY OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES:

The following accounting principles and practices of the Ohio Association of Free Clinics (the Association) are set forth to facilitate the understanding of data presented in the financial statements.

Organization and operations

Ohio Association of Free Clinics is a not-for-profit Ohio corporation established to act as an advocate for member clinics and the population they serve. The Association's programs are to improve access to health care for the uninsured and underinsured people of Ohio, to strengthen the capacity of Ohio's free clinics, to increase public awareness of the contributions of free clinics, to build a network among free clinics, and to develop a governmental affairs program in order to advocate for free clinics and the people they serve. The Association is located in Columbus, Ohio and operates primarily within the boundaries of the State of Ohio. The Association is supported primarily through a grant from the Ohio Department of Health, public contributions, and membership dues. It is always considered reasonably possible that benefactors, grantors, or contributors might be lost in the near term.

The Association operates the AmeriCorps VISTA program which employs 16 year-long and several seasonal individuals in free clinics around the state. VISTA members assist clinics in fundraising, grant writing, volunteer recruitment, electronic medical record implementation, and community promotion. Additionally, the Association receives funding through the Ohio Association of Food Banks (OAFB) to provide navigator assistance to Ohioans in obtaining insurance through the marketplace or Medicaid. The OAFB program ended during 2017.

Basis of accounting

The financial statements for the Association have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America.

Basis of presentation

Under accounting principles generally accepted in the United States of America, the Association is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets, defined as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Association and/or by the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities and changes in net assets released from restrictions. When a restriction is met in the same reporting period, the support is recorded as unrestricted in the statements of activities and changes in net assets. The Association had no temporarily restricted net assets as of December 31, 2017 and 2016.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Association. Generally, the donors of these assets permit the Association to use all or part of the income earned on any related investments for general or specific purpose. The Association had no permanently restricted net assets as of December 31, 2017 and 2016.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Functional expenses

The Association allocates certain of its expenses on a functional basis among its various programs and support services. Expenses are charged to each category based on direct expenditures incurred or allocated on a full-time employee basis.

Cash

For the purposes of reporting cash flows, cash includes all unrestricted demand deposits, money market funds, repurchase agreements, and highly liquid unrestricted investments with original maturities of three months or less.

Accounts receivable

Accounts receivable represents grant funds earned but not yet collected. No provision has been made for uncollectible accounts, as management considers all accounts to be currently collectible. Uncollectible accounts are expensed on an individual basis when they are deemed to no longer be collectible.

Furniture and equipment

The Association capitalizes, at cost, all expenditures for furniture and equipment in excess of \$1,000 and lesser amounts are expensed. The assets are recorded at cost if purchased and fair value when donated. Depreciation is applied using the straight-line method over the estimated useful lives of the assets, which is five years. Depreciation expense for the years ended December 31, 2017 and 2016 was \$2,263 and \$1,540, respectively.

Donated services

Donated services are recognized as contributions only if the services create or enhance nonfinancial assets or require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Association.

During 2017 and 2016, volunteers provided significant services that were not recognized as contributions in the financial statements since the aforementioned criteria was not met.

Income taxes and uncertain tax positions

Ohio Association of Free Clinics is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Association's tax-exempt purpose is subject to taxation as unrelated business income. The Association's reporting returns are subject to audit by federal and state taxing authorities. No income tax provision has been included in the financial statements as the Association has determined it does not have unrelated business income subject to taxation.

Subsequent events

The Association evaluates events and transactions occurring subsequent to the date of the financial statements for matters requiring recognition or disclosure in the financial statements. The accompanying financial statements consider events through October 12, 2018, the date which the financial statements were available to be issued.

2. OHIO DEPARTMENT OF HEALTH GRANT AND CLINIC DISTRIBUTIONS:

For the years ended December 31, 2017 and 2016, the Ohio Department of Health (ODH) granted \$399,826 and \$439,402, respectively, to the Association. ODH specified that the Association is to distribute the funds to Ohio free clinics using a methodology determined by the Association and approved by ODH. The Association retains an amount for the administrative services performed and is responsible to distribute, administer, and audit funds provided to the free clinics. The funds are to be used to provide direct health care services for pregnant women and children, as well as, people with hypertension, diabetes and tobacco related illness that lack health insurance and receive health care services at the free clinics. For the years ended December 31, 2017 and 2016, payments to member clinics for the Uninsured Care Program were \$339,852 and \$368,424, respectively. At December 31, 2017 and 2016, distributions due to member clinics of \$76,994 and \$92,932, respectively, were included in accounts payable on the statements of financial position.

3. FURNITURE AND EQUIPMENT:

Furniture and equipment consisted of the following at June 30:

	2017	2016
Equipment	\$ 17,280	13,476
Furniture	390	390
	17,670	13,866
Accumulated depreciation	(9,921)	(7,658)
Furniture and equipment, net	\$ 7,749	6,208

4. CONCENTRATION:

Approximately 40% of the Association gross revenue is derived from a grant with the Ohio Department of Health. The current level of the Association's operations and program services may be impacted, or segments discontinued, if the funding is not renewed.

5. LEASE COMMITMENTS:

The Association leases office facilities under an operating lease with an unrelated party through April 30, 2020, which required monthly lease payments of \$1,830 through June 2016, \$1,896 from July 2016 through June 2017, and \$2,015 beginning July 2017. Rental expense under all operating leases for the years ended December 31, 2017 and 2016, was \$23,843 and \$23,385, respectively.

