

WEST VIRGINIA ASSOCIATION OF FREE CLINICS, INC.
FINANCIAL REPORT
JUNE 30, 2012

DHHR - Finance

JAN 1 1 2013

Date Received

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
West Virginia Association of Free Clinics, Inc.
Charleston, West Virginia

We have audited the statement of financial position of West Virginia Association of Free Clinics, Inc., as of June 30, 2012, and the related statements of activities, changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements as of June 30, 2011, were audited by Toothman Rice, PLLC, who merged with Arnett Foster Toothman, PLLC as of September 1, 2012, and whose report dated December 12, 2011, expressed an unqualified opinion on those statements.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of West Virginia Association of Free Clinics, Inc., as of June 30, 2012, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Arnett Foster Toothman PLLC

Bridgeport, West Virginia
December 22, 2012

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WEST VIRGINIA ASSOCIATION OF FREE CLINICS, INC.
STATEMENTS OF FINANCIAL POSITION

June 30, 2012 and 2011

	2012	2011
ASSETS		
CURRENT ASSETS		
Cash	\$ 168,884	\$ 255,440
Accounts receivable	23,335	19,282
Prepaid insurance	<u>255</u>	<u>240</u>
 Total current assets	 <u>192,474</u>	 <u>274,962</u>
 TOTAL ASSETS	 <u>\$ 192,474</u>	 <u>\$ 274,962</u>
 LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 111,664	\$ 82,749
Accrued liabilities	3,098	1,732
Deferred revenue	<u>25,088</u>	<u>-</u>
Total current liabilities	<u>139,850</u>	<u>84,481</u>
 NET ASSETS		
Unrestricted	35,067	113,306
Temporarily restricted	<u>17,557</u>	<u>77,175</u>
Total net assets	<u>52,624</u>	<u>190,481</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 192,474</u>	 <u>\$ 274,962</u>

The Notes to Financial Statements are an integral part of these statements.

WEST VIRGINIA ASSOCIATION OF FREE CLINICS, INC.
STATEMENTS OF ACTIVITIES

For the Years ended June 30, 2012 and 2011

	2012	2011
UNRESTRICTED INCOME AND OTHER SUPPORT		
Benedum Foundation grant	\$ -	\$ 3,000
West Virginia Department of Health and Human Resources	333,333	337,992
Attorney General's office	11,164	88,836
Net assets released from restrictions	59,618	46,656
Membership dues	25,230	37,914
Salary reimbursements	<u>97,703</u>	<u>94,059</u>
Total unrestricted income and other support	<u>527,048</u>	<u>608,457</u>
EXPENSES AND DISBURSEMENTS		
Salaries and benefits	134,217	114,395
Grant disbursements	384,439	432,877
Travel	36,443	27,965
Conference expenses	30,118	2,500
Board meeting costs	636	1,334
Office expense	3,504	8,385
Telephone	3,904	2,756
Professional fees	6,365	7,725
Dues and subscriptions	1,424	1,473
Advertising	1,004	5,062
Insurance	746	962
Other	<u>2,950</u>	<u>9,268</u>
Total expenses and disbursements	<u>605,750</u>	<u>614,702</u>
Excess of expenses and disbursements (over) unrestricted income and other support	<u>(78,702)</u>	<u>(6,245)</u>
OTHER INCOME		
Interest	<u>463</u>	<u>1,139</u>
	<u>463</u>	<u>1,139</u>
CHANGE IN UNRESTRICTED NET ASSETS	<u>\$ (78,239)</u>	<u>\$ (5,106)</u>

The Notes to Financial Statements are an integral part of these statements.

WEST VIRGINIA ASSOCIATION OF FREE CLINICS, INC.
STATEMENTS OF CHANGES IN NET ASSETS

For the Years ended June 30, 2012 and 2011

	Unrestricted Net Assets	Temporarily Restricted Net Assets	Total Net Assets
Balance, June 30, 2010	\$ 118,412	\$ 46,656	\$ 165,068
Change in unrestricted net assets	(5,106)	-	(5,106)
Grants received	-	77,175	77,175
Net assets released from restrictions	<u>-</u>	<u>(46,656)</u>	<u>(46,656)</u>
Balance, June 30, 2011	113,306	77,175	190,481
Change in unrestricted net assets	(78,239)	-	(78,239)
Net assets released from restrictions	<u>-</u>	<u>(59,618)</u>	<u>(59,618)</u>
Balance, June 30, 2012	<u>\$ 35,067</u>	<u>\$ 17,557</u>	<u>\$ 52,624</u>

The Notes to Financial Statements are an integral part of these statements.

WEST VIRGINIA ASSOCIATION OF FREE CLINICS, INC.
STATEMENTS OF CASH FLOWS

For the Years ended June 30, 2012 and 2011

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (137,857)	\$ 25,413
Adjustments to reconcile change in unrestricted net assets to cash provided by (used in) operating activities:		
(Increase) in accounts receivable	(4,053)	(14,619)
(Increase) decrease in prepaid insurance	(15)	241
Increase (decrease) in accounts payable and accrued liabilities	30,281	(42,806)
Increase in deferred revenue	<u>25,088</u>	<u>-</u>
Net cash (used in) operating activities	<u>(86,556)</u>	<u>(31,771)</u>
Net (decrease) in cash	(86,556)	(31,771)
Cash		
Beginning	<u>255,440</u>	<u>287,211</u>
Ending	<u>\$ 168,884</u>	<u>\$ 255,440</u>

The Notes to Financial Statements are an integral part of these statements.

NOTE 1. DESCRIPTION OF ORGANIZATION

West Virginia Association of Free Clinics, Inc. (Company), is a non-profit, non-stock corporation chartered under the laws of the State of West Virginia and exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Company is classified as other than a private foundation.

The primary purpose of the Company is to represent free clinics in primary care issues. Currently, the Company is comprised of 10 member clinics. The Company presently raises grant funds for members for providing dental services, strategic planning and Medical Home projects.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Financial Reporting

The financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles, whereby revenues are recognized as earned and expenses are recognized as incurred for other than membership dues revenue. Membership dues revenue is recognized on the cash method of accounting.

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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

Cash and Cash Equivalents

For purposes of the balance sheet and statement of cash flows, the Company considers all highly liquid investments which are readily convertible into known amounts of cash and have a maturity of three months or less when acquired to be cash equivalents.

Accounts Receivable, net

Accounts receivable are reported net of allowance for uncollectible accounts, and represent the amounts owed by state agencies for services rendered. The Company utilizes the reserve method for accounting for bad debts. Amounts that are deemed uncollectible are charged against the reserve. Management's estimates of allowances for doubtful accounts are based on analysis of individual receivable amounts. Specific balances are written off at the time that they are determined to be uncollectible. Delinquent accounts are determined on a case-by-case basis. There was no estimated allowance for uncollectible accounts at June 30, 2012 and 2011.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Asset Classification

Net assets of Company and changes therein are classified and reported as follows:

Unrestricted net assets – net assets that are not subject to donor/grantor-imposed stipulations

Temporarily restricted net assets – net assets subject to donor/grantor-imposed stipulations that will be met either by actions of Company and/or the passage of time.

Permanently restricted net assets – net assets subject to donor/grantor-imposed stipulations that the assets are to be maintained permanently by Company.

Temporarily Restricted Net Assets and Donor-Restricted Contributions

Temporarily restricted net assets are those whose use has been limited by donors to a specific time period or purpose. Grant revenues, which are expended under terms of the grant agreement in the year of receipt, are reported as unrestricted income and other support in the statement of activities. Use of unexpended grant funds is limited under the terms of the grant agreements; unexpended funds on hand are reported in assets limited as to use in the statement of financial position, with the related liability reported as temporarily restricted net assets. Grant funds released from restrictions in subsequent years are reported in unrestricted revenue in the statement of activities. Contributions of cash and other assets are presented as temporarily restricted if they are received with donor stipulations that limit the use of the donated assets. Donated assets are reported in assets limited as to use in the statement of financial position until the restrictions are met. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose 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. However, if a restriction is fulfilled in the same time period in which the contribution, grant or award is received, Company reports the support as unrestricted.

The Company had no permanently restricted net assets as of June 30, 2012 and 2011.

Economic Dependency

The Company generates a substantial portion of its revenue from the West Virginia Department of Health and Human Resources, Bureau for Public Health, the Benedum Foundation and various other sources. Changes in the amounts of grant funding could, therefore, significantly influence the Company's ability to provide services

NOTES TO FINANCIAL STATEMENTS

NOTE 3. CONCENTRATIONS OF CREDIT RISK

The FDIC insured deposits in any single banking institution up to \$250,000. At times, the Company may have deposits in excess of the insured amount. Management believes the credit risk related to the cash balances in excess of insurance is minimal.

The Company serves members in the state of West Virginia, and is therefore dependent upon the local economies for its members patients and state-wide fund raising efforts.

NOTE 4. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at June 30, 2012 and 2011 consisted of grants from the Benedum Foundation and the State of West Virginia for strategic planning, medical home projects and electronic health record.

NOTE 5. FUNCTIONAL EXPENSES

The following reflects the Company's expenses reported by functional classification:

	2012	2011
Management and General	\$ 77,894	\$ 69,396
Program Services	527,856	545,306
Fundraising	-	-
	<u>\$ 605,750</u>	<u>\$ 614,702</u>

NOTE 6. CONTINGENCIES

Funding for operations is primarily from the Benedum Foundation and State of West Virginia grants. Amounts received from these sources are subject to audit or inspection by granting agencies. Any adjustment resulting from such audits or inspections would be reflected in the year of ultimate settlement. Management does not expect any significant adjustment as a result of future funding audits.

NOTE 7. RELATED PARTY TRANSACTIONS

The Company receives a substantial portion of its revenues from its 10 member clinics. Each member clinic was awarded an increase in their annual state grant. A portion of this grant was then provided to the Company in the form of a contribution or donation. These funds are reported as dues on the statements of activities.

The Company paid most of the grant funds it receives to its member clinics. These disbursements are reported as grant disbursements on the statements of activities. The Company owed approximately \$79,166 and \$79,186 to related parties as of June 30, 2012 and 2011, respectively. The balances as of June 30, 2012 and 2011 were recorded as accounts payable on the statement of financial position.

The Company received office space from West Virginia Health Right, Inc., a member clinic, at no charge for the years ended June 30, 2012 and 2011. Subsequent to year end, the rent charge was increased to \$1,800 per month under a month to month rental agreement.

NOTE 8. UNCERTAIN TAX POSITIONS

Accounting Standards prescribes a recognition threshold and measurement attribute for a tax position taken or expected to be taken in a tax return where there is uncertainty about whether a tax position will ultimately be sustained upon examination. The Company does not believe its financial statements include any uncertain tax positions. The Company's federal return of organizations exempt from income taxes for the tax years 2008, 2009 and 2010 (filed) and 2011 (unfiled) remain subject to examination by the Internal Revenue Service.

NOTE 9. SUBSEQUENT EVENTS

The Company's management has evaluated events subsequent from June 30, 2012 through December 22, 2012, which is the issuance date of this report. There has been no material event noted during this period that would either impact the results reflected in this report or the Company's results going forward.



arnett
foster
toothman^{pllc}
CPAs & Advisors

January 03, 2013

To the Board of Directors
West Virginia Association of Free Clinics, Inc.
Charleston, WV

We have audited the financial statements of West Virginia Association of Free Clinics, Inc. for the year ended June 30, 2012, and have issued our report thereon dated January 03, 2013. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 12, 2012. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by West Virginia Association of Free Clinics, Inc. are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2012.

We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period, other than dues revenue which are presently being recognized on the cash method of accounting.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements was management's estimate of the amount of revenue earned from each source and the amount deferred revenue in any individual accounting period. We reviewed management's estimate of deferred grant revenue and found it reasonable.

Accounting Disclosures

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was the disclosure of recognition of temporarily restricted net assets in Notes 2 and 4 to the financial statements the recognition of grants and contributions received and spent in a single year are not restricted, whereas items received in one year but spent in a subsequent year, are restricted as to their intended purposes.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, several of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole, as attached to this letter.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated January 03, 2013.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of board of directors and management of West Virginia Association of Free Clinics, Inc. and is not intended to be and should not be used by anyone other than these specified parties.

Arnett Foster Toothman PLLC

Bridgeport, West Virginia

DHHR - Finance

JAN 11 2013

Date Received

Client: **West Virginia Association of Free Clinics, Inc.**
 Engagement: **WV Assoc of Free Clinics**
 Period Ending: **6/30/2012**
 Workpaper: **Adjusting Journal Entries Report**

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 1				
to post PY aje's		q.02		
2415	PAYROLL LIABILITIES		79.62	
3100	Net Assets - Unrestricted		71,980.94	
4900	Americorp Reimbursements		19,282.45	
1300	PREPAID INSURANCE			161.00
2000	Accounts Payable			82,749.32
2550	Accrued Payroll			1,669.23
3000	Net Assets - Temporarily Restricted			6,683.84
5132	Employee benefits medical insurance am			79.62
Total			91,343.01	91,343.01

Adjusting Journal Entries JE # 2				
To record grant receivable		B.02		
1200	ACCOUNTS RECEIVABLE		23,335.19	
4900	Americorp Reimbursements			23,335.19
Total			23,335.19	23,335.19

Adjusting Journal Entries JE # 3				
to close ap from PY		gl details		
2000	Accounts Payable		82,749.32	
5000	ADVERTISING/MARKETING			2,350.00
5120	OFFICE SUPPLIES			50.00
5120	OFFICE SUPPLIES			158.00
5120	OFFICE SUPPLIES			780.17
5132	Employee benefits medical insurance am			18.93
5170	TELEPHONE - CELLULAR			74.16
5170	TELEPHONE - CELLULAR			123.06
5175	POSTAGE			9.00
5410	Dental Care: Good			3,175.00

Client: **West Virginia Association of Free Clinics, Inc.**
Engagement: **WV Assoc of Free Clinics**
Period Ending: **6/30/2012**
Workpaper: **Adjusting Journal Entries Report**

Account	Description	W/P Ref	Debit	Credit
5420	Dental Care: Ebenezer			3,612.84
5430	Dental Care: Susan Due Hoffman			15,997.50
5440	Dental Care: WV Health Right			26,124.66
5450	Dental Care Eastern Panhandle			9,875.00
5460	Dental Care: Milan Puskar			10,876.00
5470	Dental Care: Wheeling			9,525.00
Total			82,749.32	82,749.32
Adjusting Journal Entries JE # 4		L.04		
to record liability to programs				
4900	Americorp Reimbursements		25,087.59	
2010	Due to Americorp			25,087.59
Total			25,087.59	25,087.59
Adjusting Journal Entries JE # 5		M.02		
to adjust accrued wages				
5137	Payroll Expenses:Executive Director Salary		867.82	
2550	Accrued Payroll			867.82
Total			867.82	867.82
Adjusting Journal Entries JE # 6		J.02		
to adjust prepaid insurance				
1300	PREPAID INSURANCE		13.00	
5035	D & O Insurance			13.00
Total			13.00	13.00
Adjusting Journal Entries JE # 7		L.02		
To accrue AP				
5000	ADVERTISING/MARKETING		24.95	
5030	Continuing Educatin registrations		390.00	
5055	EMPLOYEE BENEFITS:MEDICAL INSURANCE -		39.00	
5100	Miscellaneous - Americorps		2,078.83	
5131	Employee Benefits Americorps		65.80	
5170	TELEPHONE - CELLULAR		41.29	
5410	Dental Care: Good		3,850.00	
5420	Dental Care: Ebenezer		3,364.00	
5430	Dental Care: Susan Due Hoffman		4,552.00	
5440	Dental Care: WV Health Right		31,666.00	
5450	Dental Care Eastern Panhandle		12,629.50	
5460	Dental Care: Milan Puskar		12,629.50	
5470	Dental Care: Wheeling		10,475.00	
5630	Professional fees NCQA consulting services		1,500.00	
5710	Travel WVMC Training @ NAFC Summit Reimb		28,358.20	
2000	Accounts Payable			111,664.07
Total			111,664.07	111,664.07
Adjusting Journal Entries JE # 8		q.03		
to adjust deferred revenue				
3000	Net Assets - Temporarily Restricted		59,618.42	
4010	GRANTS:BENEDUM FOUNDATION		94.00	
4010	GRANTS:BENEDUM FOUNDATION			30,943.09
4015	GRANTS:WV ATTORNEY GENERAL			28,675.33
5380	Strategic Planning			94.00
Total			59,712.42	59,712.42