

ACCESS CARROLL, INC.
FINANCIAL STATEMENTS
JUNE 30, 2017

Randall L. Snyder, CPA, LLC

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Access Carroll, Inc.
Westminster, Maryland

I have audited the accompanying financial statements of Access Carroll, Inc. (a nonprofit organization), which comprise the statement of assets, liabilities and net assets – modified cash basis as of June 30, 2017, and the related statements of revenues, expenses and changes in net assets – modified cash basis, functional expenses – modified cash basis, and cash flows-modified cash basis 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 the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for preparation of the financial statements in the circumstances. Management is also responsible for 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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and net assets of Access Carroll, Inc. as of June 30, 2017 and its revenues and expenses and changes in net assets, functional expenses, and cash flows for the year then ended, in accordance with the basis of accounting as described in Note 1.

Basis of Accounting

I draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than generally accepted accounting principles in the United States of America. My opinion is not modified with respect to that matter.

Randall Z. Snyder, CPA, LLC

Marriottsville, MD 21104
October 25, 2017

ACCESS CARROLL, INC.
STATEMENT OF ASSETS, LIABILITIES AND NET ASSETS -
MODIFIED CASH BASIS

June 30, 2017

ASSETS

CURRENT ASSETS

Cash and cash equivalents - undesignated - Total Current Assets \$ 52,383

PROPERTY AND EQUIPMENT

-less accumulated depreciation of \$42,090 16,467

Total Assets \$ 68,850

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Payroll taxes payable and withheld \$ 536

Loan Payable - Carroll County Health Department 30,000

Loan Payable - BB&T 65,000

Obligation under capital lease 8,400

Total Current Liabilities 103,936

LONG TERM LIABILITIES

Obligation under capital lease - Total Long Term Liabilities 9,800

Total Liabilities 113,736

NET ASSETS (DEFICIT)

Unrestricted (deficit) (44,886)

Total Net Assets (Deficit) (44,886)

Total Liabilities and Net Assets \$ 68,850

See accompanying notes to financial statements.

**STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS - MODIFIED CASH BASIS**

For the Year Ended June 30, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues			
Donations	\$ 25,815	\$ 22,805	\$ 48,620
Grants	481,794	-	481,794
Special events	44,010	-	44,010
Patient and other income	247,356	-	247,356
Net assets released from restrictions (note 6)			
Satisfaction of purpose restrictions	40,935	(40,935)	-
Interest	5	10	15
	<u>839,915</u>	<u>(18,120)</u>	<u>821,795</u>
Expenses			
Program services	932,537	-	932,537
Management and general	23,633	-	23,633
Fundraising	10,155	-	10,155
	<u>966,325</u>	<u>-</u>	<u>966,325</u>
CHANGE IN NET ASSETS	(126,410)	(18,120)	(144,530)
Net assets - Beginning of year	<u>81,524</u>	<u>18,120</u>	<u>99,644</u>
Net assets - End of year	<u>\$ (44,886)</u>	<u>\$ -</u>	<u>\$ (44,886)</u>

See accompanying notes to financial statements.

ACCESS CARROLL, INC.
STATEMENT OF FUNCTIONAL EXPENSES - MODIFIED CASH BASIS

For the Year Ended June 30, 2017

	Program Services	Management and General	Fundraising	Total
Advertising	\$ 1,289	\$ -	\$ -	\$ 1,289
Cleaning, repairs and maintenance	7,898	878	-	8,776
Dental	64,699	-	-	64,699
Donor recognition	1,020	-	-	1,020
Electronic health records	19,194	-	-	19,194
Employee benefits	18,968	2,108	-	21,076
Insurance	20,365	2,263	-	22,628
Interest	874	97	-	971
Medical supplies/Lab fees	17,510	-	-	17,510
Miscellaneous	41	5	-	46
Office/Postage	22,063	2,451	-	24,514
Parking	7,877	875	-	8,752
Patient education/services	120	-	-	120
Payroll taxes	43,414	4,824	-	48,238
Pharmaceuticals	3,323	-	-	3,323
Professional fees	8,478	942	-	9,420
Salaries and wages	628,131	6,345	-	634,476
Special events/Capital campaign	40,935	-	10,155	51,090
Staff development	1,701	189	-	1,890
Telephone	7,119	791	-	7,910
Utilities	8,274	919	-	9,193
Volunteer and staff appreciation	729	-	-	729
Depreciation and amortization	8,515	946	-	9,461
Total expenses	<u>\$ 932,537</u>	<u>\$ 23,633</u>	<u>\$ 10,155</u>	<u>\$ 966,325</u>

See accompanying notes to financial statements.

ACCESS CARROLL, INC.
STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS

For the Year Ended June 30, 2017

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Public Support and Revenue	\$ 821,795
Cash Paid to Vendors and Employees	(956,446)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>(134,651)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of property and equipment	(22,800)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>(22,800)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from Loans Payable	101,000
Payments on Loans Payable	(6,000)
Net Increase in Obligation under Capital Lease	22,800
Payments on Obligation under Capital Lease	(7,300)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	<u>110,500</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(46,951)
Cash at beginning of year	<u>99,334</u>
Cash at end of year	\$ <u><u>52,383</u></u>
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	
Change in net assets	\$ (144,530)
Adjustments to Reconcile Net Cash Provided by (Used in) Operating Activities:	
Depreciation and amortization	9,461
Increase (Decrease) in Payroll Taxes Payable	418
	<u>9,879</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	\$ <u><u>(134,651)</u></u>
Supplemental Disclosure	
Cash paid for Interest	\$ <u>971</u>
Cash paid for Income Taxes	\$ <u><u>0</u></u>

See accompanying notes to financial statements.

ACCESS CARROLL, INC.

Notes to Financial Statements

June 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

Organization, Nature of Activities and Income Taxes

Access Carroll, Inc. (Organization), a nonprofit organization as described in Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation, was formed for the purpose of providing free health care to the uninsured in Carroll County, Maryland. The Organization has expanded their mission to providing free and reduced cost integrated medical and dental care to low-income Carroll County residents. The Organization is supported primarily through donor contributions, grants, patient fees and fundraising activities. Approximately 6% of the Organization's support came from donations, 59% from grants and 30% from patient fees. The Organization is exempt from federal and state income taxes.

The Organization has concluded that there are no significant tax positions that would require recognition in the financial statements. The Organization's Form 990, *Return of Organization Exempt from Income Tax*, for the years ending 2014, 2015, and 2016 are subject to examination by the IRS, generally for three years after they are filed.

Basis of Accounting

The accompanying financial statements have been prepared on the modified cash basis of accounting, which is a basis of accounting other than generally accepted accounting principles. Under this basis, certain revenues and related assets are recognized when received rather than when earned, and expenses are recognized when paid rather than when the obligation is incurred. Consequently, the Organization has not recognized pledges receivable from donors, accounts payable to vendors, and their related effects on the change in net assets in the accompanying financial statements.

Donations and Grants

Donations and grants that are restricted by the donor or grantor are reported as increases in unrestricted net assets if the restriction expires in the fiscal year in which the donation or grant is received. All other donor-restricted donations are reported as increase in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of revenues, expenses and changes in net assets as net assets released from restrictions.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect certain amounts and disclosures. Accordingly, actual results could differ from those estimates.

ACCESS CARROLL, INC.

Notes to Financial Statements (Continued)

June 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents

For the purposes of the statement of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Property and Equipment

Property and equipment are recorded at cost or estimated fair market value if donated. It is the Organization's policy to capitalize unrestricted expenditures or donated property and equipment in excess of \$500. Lesser amounts are expensed. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time. Depreciation is computed using the straight-line method based on the estimated useful lives of the asset or the life of the lease for leasehold improvements. Computer software costs are amortized on the straight-line basis over five years. Property and equipment purchased with grant funds or restricted donations are expensed.

Contributions

The Organization records contributions and sponsorships when they are received and are recorded as unrestricted, temporarily restricted or permanently restricted net assets depending on the existence or nature of any donor restrictions.

Donated Services

The Organization receives a significant amount of donated services and rent (unpaid volunteers, diagnostic services, occupancy, etc.) which assists in fund-raising, program activities and special events. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing these skills, and would typically need to be purchased if not provided by donation, are recorded at their fair value in the period received. Management estimates the value of donated services and rent to be \$1,418,723 for the year ended June 30, 2017. At June 30, 2017, no amounts have been recognized in the statement of revenue, expenses and changes in net assets because the financial statements are prepared on the modified cash basis of accounting.

Advertising

The Organization's policy is to expense advertising cost as the costs are incurred and does not engage in direct response advertising. Total advertising cost amounted to \$1,289 for the year ended June 30, 2017.

ACCESS CARROLL, INC.

Notes to Financial Statements (Continued)

June 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Statement Presentation

The Organization follows standards of accounting for not-for-profit organizations as described in the FASB Accounting Standards Codification (FASB ASC).

The accompanying financial statements have been prepared on the modified cash basis of accounting which is a basis of accounting other than generally accepted accounting principles in the United States of America. Net assets, revenues, expenses, gains and losses are classified on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted Net Assets represent resources over which the Board of Directors has discretionary control and are used to carry out operations of the Organization in accordance with its bylaws.

Temporarily Restricted Net Assets represent resources available for use, but expendable only for those operating purposes specified by the donor. Resources of these net assets originate from contributions. Net assets are released from temporary restrictions as terms of the contributions are met. The Organization has no such assets as of June 30, 2017.

Permanently Restricted Net Assets represent resources which are restricted indefinitely, such as endowments. The Organizations has no such assets as of June 30, 2017.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a natural basis in the statement of revenues, expenses and change in net assets. For the year ended June 30, 2017, approximately 97% of the Organization's expenses related to program services, 2% to management and general, and 1% to fundraising.

NOTE 2 – CONCENTRATION OF CREDIT RISK

The Organization's financial instruments that are exposed to concentrations of credit risk consist principally of cash and cash equivalents. At times such amounts may be in excess of the FDIC insurance limits, however, the Organization has not experienced any losses with respect to its bank balances in excess of government provided insurance. Management believes that no significant concentration of credit risk exists with respect to these cash balances for the year ended June 30, 2017. At June 30, 2017, no amounts were in excess of the FDIC insurance limits.

ACCESS CARROLL, INC.

Notes to Financial Statements (Continued)

June 30, 2017

NOTE 3 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	<u>Life</u>	
Equipment	3-7 years	\$ 56,557
Furniture	5 years	<u>2,000</u>
		58,557
Less – accumulated depreciation and amortization		<u>(42,090)</u>
		<u>\$ 16,467</u>

NOTE 4 – DATE OF MANAGEMENT’S REVIEW

Management has evaluated subsequent events through October 25, 2017, the date that the financial statements were available to be issued.

NOTE 5 – RESTRICTIONS ON NET ASSETS

The restrictions on net assets as of June 30, 2017 are related to funds received under the capital campaign.

Temporarily restricted net assets available for the following purposes or periods:

Capital Campaign	\$ <u>0</u>
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Net assets were released from donor restrictions by incurring expenses satisfying the purpose or time restrictions specified by donors as follows:

Purpose restrictions accomplished:	
Capital Campaign	\$ <u>40,935</u>

ACCESS CARROLL, INC.

Notes to Financial Statements (Continued)

June 30, 2017

NOTE 6 – COMMITMENTS AND SUBSEQUENT EVENTS

The organization has entered into a contract in FY2009 to evaluate a special campaign intended to raise \$1 million to help to expand the program, services, and facilities of the organization through a Phase I capital renovation project that was completed in November 2012. The organization does not have any outstanding pledges as of June 30, 2017 and the project is deemed completed.

The organization received \$150,000 in FY15 and \$50,000 in FY16 from a private foundation to be used in a Phase II Behavioral Health expansion capital project. The organization was approved for \$378,000 capital funding from the State of Maryland for the year ended June 30, 2016 as part of the Phase II expansion project. The Phase II project was completed in May 2016 for renovation of the remaining 4,200 square feet. All restricted capital funds received were utilized. This Phase II project completes general renovation of the organization's floor space of approximately 13,000 total square feet.

In regard to the Phase II expansion project, the organization has felt the contracted work for HVAC installation has not been satisfied due to extremely high humidity levels during hot and humid months. The prolonged and unaddressed humid conditions have resulted in poor indoor air quality and the beginning of damage to paint, equipment, and unacceptable patient care conditions. Since July 2016, the organization has engaged all involved contracted entities for remediation without resolution. In September 2016, the board of directors has approved a secondary and outside HVAC consultation as well as legal representation that will invoke arbitration clauses in respective contracts with the Architect and General Contractor if the conditions remain unaddressed and unresolved. The project is deemed completed as of June 30, 2017.

The organization has been engaged in strategic planning activities for both sustainability and growth potentials that may include status as a Federally Qualified Health Center. Regardless of this status, the organization is moving from a free clinic model to a billable entity for medical, dental, and behavioral health services that will result in accounting expansion to include a coder/biller position and the future hiring of a Chief Financial Officer. The organization ceased practice under its current federal tort immunity program and began private group liability coverage during the year ended June 30, 2017.

ACCESS CARROLL, INC.

Notes to Financial Statements (Continued)

June 30, 2017

NOTE 7 – LEASE COMMITMENTS

The Organization leased a copier for a three year period commencing September 2016 and ending August 2019. The lease is recorded as a capital lease for financial statement purposes. The capitalized cost included in Equipment is \$22,800 and accumulated depreciation as of June 30, 2017 is \$6,333. The lease stipulates a monthly payment of \$735. The copier is being depreciated over three years on a straight-line basis. Depreciation expense of the copier amounts to \$6,333 for the year ended June 30, 2017.

Future minimum lease payments under the capital lease as of June 30, 2016 are as follows:

<u>Year ended June 30,</u>	<u>Amount</u>
2018	\$ 8,820
2019	8,820
2020	1,470
Less – amount representing interest	<u>(910)</u>
Net amount	<u>\$18,200</u>

The Organization entered into a lease agreement dated July 8, 2011 and was amended May 1, 2014 (Distillery Building) with the County Commissioners of Carroll County, Maryland beginning July 1, 2011 and ending July 1, 2041 (30 years). The Organization may renew the lease for one extended term of five years. No rent is to be paid during the term. In lieu of rent, the Organization will make available quality primary health care, dental care and additional coordinated health care services for the uninsured, low-income residents of Carroll County, Maryland. The Organization moved its operations to the Distillery Building on December 1, 2012.

NOTE 8 – LOAN PAYABLE - CARROLL COUNTY HEALTH DEPARTMENT

The Organization received a \$30,000 loan in March 2017. Documentation indicates that the loan payable is non-interest bearing, unsecured and was initially to be repaid in full within 30 days. The loan payable has not been repaid in full as of June 30, 2017 and October 25, 2017.

NOTE 9 – LOAN PAYABLE – BB&T

The Organization received approval for a \$100,000 loan in April 2017 with a maturity date of April 2018. The loan is secured by the real and personal property of the organization and has a variable interest rate of prime plus 4.490 percent. The principal balance outstanding as of June 30, 2017 is \$65,000.