

**ACCESS CARROLL, INC.**  
**FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**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, 2018, 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, 2018 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 X. Snyder, CPA, LLC*

Marriottsville, MD 21104  
January 4, 2019

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

June 30, 2018

**ASSETS**

**CURRENT ASSETS**

Cash and cash equivalents - undesignated - Total Current Assets \$ 57,085

**PROPERTY AND EQUIPMENT**

-less accumulated depreciation and amortization of \$48,677 9,880

Total Assets \$ 66,965

**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES**

Payroll taxes payable and withheld \$ 199

Due to Carroll County Health Department 112,800

Loan Payable - BB&T 54,291

Obligation under capital lease 8,400

Total Current Liabilities 175,690

**LONG TERM LIABILITIES**

Obligation under capital lease - Total Long Term Liabilities 1,400

Total Liabilities 177,090

**NET ASSETS (DEFICIT)**

Unrestricted (deficit) (110,125)

Total Net Assets (Deficit) (110,125)

Total Liabilities and Net Assets \$ 66,965

See accompanying notes to financial statements.

**ACCESS CARROLL, INC.**  
**STATEMENT OF REVENUES, EXPENSES AND**  
**CHANGES IN NET ASSETS - MODIFIED CASH BASIS**

For the Year Ended June 30, 2018

	<u>Unrestricted Total</u>
<b>Revenues</b>	
Donations	\$ 31,234
Grants	588,560
Special events	54,279
Patient and other income	349,584
Interest	4
	<u>1,023,661</u>
 <b>Expenses</b>	
Program services	1,050,282
Management and general	30,281
Fundraising	8,337
	<u>1,088,900</u>
<b>CHANGE IN NET ASSETS</b>	(65,239)
Net assets - Beginning of year	<u>(44,886)</u>
Net assets - End of year	<u>\$ (110,125)</u>

See accompanying notes to financial statements.

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

For the Year Ended June 30, 2018

	Program Services	Management and General	Fundraising	Total
Advertising	\$ 99	\$ -	\$ -	\$ 99
Cleaning, repairs and maintenance	10,399	1,156	-	11,555
Dental	45,626	-	-	45,626
Donor recognition	1,051	-	-	1,051
Electronic health records	27,412	-	-	27,412
Employee benefits	30,172	3,353	-	33,525
Insurance	30,479	3,387	-	33,866
Interest	5,651	628	-	6,279
Medical supplies/Lab fees	16,063	-	-	16,063
Miscellaneous	225	25	-	250
Office/Postage	22,566	2,507	-	25,073
Parking	7,332	815	-	8,147
Patient education/services	607	-	-	607
Payroll taxes	52,866	5,874	-	58,740
Pharmaceuticals	4,450	-	-	4,450
Professional fees	19,573	2,175	-	21,748
Salaries and wages	750,171	7,577	-	757,748
Special events	-	-	8,337	8,337
Staff development	793	88	-	881
Telephone	8,203	911	-	9,114
Utilities	10,136	1,126	-	11,262
Volunteer and staff appreciation	480	-	-	480
Depreciation and amortization	5,928	659	-	6,587
Total expenses	<u>\$ 1,050,282</u>	<u>\$ 30,281</u>	<u>\$ 8,337</u>	<u>\$ 1,088,900</u>

See accompanying notes to financial statements.

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

For the Year Ended June 30, 2018

**CASH FLOWS FROM OPERATING ACTIVITIES**

Cash Received from Public Support and Revenue	\$ 1,136,460
Cash Paid to Vendors and Employees	(1,082,649)
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<u>53,811</u>

**CASH FLOWS FROM FINANCING ACTIVITIES**

Proceeds from Loans Payable	100,000
Payments on Loans Payable	(140,709)
Payments on Obligation under Capital Lease	(8,400)
<b>NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES</b>	<u>(49,109)</u>

**INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS** 4,702

Cash at beginning of year 52,383

Cash at end of year \$ 57,085

**RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES**

Change in net assets	\$ (65,239)
Adjustments to Reconcile Net Cash Provided by (Used in) Operating Activities:	
Depreciation and amortization	6,587
Increase (Decrease) in Payroll Taxes Payable and withheld	(337)
Increase (Decrease) in Due to Carroll County Health Department	112,800
	<u>119,050</u>

**NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES** \$ 53,811

Supplemental Disclosure

Cash paid for Interest	\$ <u>6,279</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, 2018

#### 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 8% of the Organization's support came from donations and fund raisers, 58% from grants and 34% 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 2015, 2016, and 2017 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, 2018

#### 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 \$1,505,705 for the year ended June 30, 2018. At June 30, 2018, 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 \$99 for the year ended June 30, 2018.

**ACCESS CARROLL, INC.**

**Notes to Financial Statements (Continued)**

June 30, 2018

**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, 2018.

**Permanently Restricted Net Assets** represent resources which are restricted indefinitely, such as endowments. The Organizations has no such assets as of June 30, 2018.

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, 2018, approximately 96% of the Organization's expenses related to program services, 3% 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, 2018. At June 30, 2018, no amounts were in excess of the FDIC insurance limits.

**ACCESS CARROLL, INC.**

**Notes to Financial Statements (Continued)**

June 30, 2018

**NOTE 3 – PROPERTY AND EQUIPMENT**

Property and equipment consists of the following:

Equipment	<u>Life</u> 3-7 years	\$ 56,557
Furniture	5 years	<u>2,000</u>
		58,557
Less – accumulated depreciation and amortization		<u>(48,677)</u>
		<u>\$ 9,880</u>

**NOTE 4 – DATE OF MANAGEMENT’S REVIEW**

Management has evaluated subsequent events through January 4, 2019, the date that the financial statements were available to be issued.

**NOTE 5 – COMMITMENTS AND SUBSEQUENT EVENTS**

The Organization entered into a memorandum of agreement dated June 28, 2018 with the Carroll County Health Department for the period July 1, 2018 through June 30, 2019 whereby the Organization agrees to pay the Carroll County Health Department a maximum amount not to exceed \$321,375 for the period based on quarterly payments of \$82,344. The Organization changed its billing process as described in Note 8 whereby the Organization will record revenue earned based on an earned fee for the period beginning July 1, 2018.

The Organization completed a second behavioral health expansion capital project in their existing space in May 2016 with behavioral health staff occupying the space in July 2016. Subsequent to the completion of the project, known as “Phase II”, the Organization has felt the contracted work for the HVAC installation has not been satisfactory due to extreme high humidity levels during hot and humid months. The prolonged and unaddressed humid conditions since August 2016 to present have resulted in strong communication with the architect and engineers for a resolution. The Organization has undergone several evaluations and consultations on the matter and desires to avoid arbitration. In September 2018, the Board of Directors agreed to a remediation plan of \$50,000 from the Architect’s insurance payout, based on possible de-humidification solutions. The Organization will continue to hold the architect responsible should the remediation efforts not result in the desired outcome.

In August 2017, Access Carroll, Inc. requested financial support through a grant of the Carroll Hospital Foundation Endowment Fund for general operating needs. The request has undergone multiple presentations and a thorough financial evaluation in August 2018 of the Organization by the Carroll Hospital Finance Department. Carroll Hospital has recommended that all hospital based support be packaged under one document as a legal agreement representing Carroll Hospital and the Foundation’s long standing commitment to the health care mission and shared goals of Access Carroll, Inc. to serve at-risk and vulnerable residents of Carroll County, Maryland.

ACCESS CARROLL, INC.

Notes to Financial Statements (Continued)

June 30, 2018

**NOTE 5 – COMMITMENTS AND SUBSEQUENT EVENTS (continued)**

A presentation and request for a comprehensive financial support package was made to the Carroll Hospital Foundation on November 13, 2018, which was approved. Funds will be distributed through Carroll Hospital.

Carroll Hospital provided a \$300,000 bridge loan to the Organization on August 30, 2018 pending an approved fund disbursement from the Carroll Hospital Foundation Endowment Fund. The loan is unsecured, non-interest bearing until an event of default, and is to be repaid on July 1, 2019.

Carroll Hospital is to form a financial support team to assist the executive director of the Organization with the preparation of financial statistics, etc. for all boards of directors, Carroll Hospital; Carroll Hospital Foundation; and Access Carroll, Inc.

The Organization successfully submitted an application for Joint Commission Accreditation as required by the Maryland Department of Behavioral Health service providers in 2018. A successful accreditation survey was achieved on December 13 and 14, 2018. Final letters of accreditation status for Ambulatory Health (Medical and Dental) and Behavioral Health is anticipated in February 2019 and is valid for a period of three years, at which time another onsite survey will be required.

The Organization is evaluating the need to establish a program of Medical Respite within the Distillery Building from which it operates as a part of its mission.

**NOTE 6 – 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 \$6,587 for the year ended June 30, 2018.

Future minimum lease payments under the capital lease as of June 30, 2018 are as follows:

<u>Year ended June 30,</u>	<u>Amount</u>
2019	\$ 8,820
2020	1,470
Less – amount representing interest	( 490)
Net amount	<u>\$ 9,800</u>

**ACCESS CARROLL, INC.**

**Notes to Financial Statements (Continued)**

June 30, 2018

**NOTE 6 – LEASE COMMITMENTS (continued)**

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 7 – LOAN PAYABLE – BB&T**

The Organization received approval for a \$100,000 loan in April 2017 with an extended maturity date of April 2019. 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, 2018 is \$54,291.

**NOTE 8 – INTEGRATED CARE AGREEMENT WITH CARROLL COUNTY HEALTH DEPARTMENT**

The Organization initiated a process of behavioral health billing whereby the Organization would collect all the billings and the Organization would earn ten percent as revenue and the Carroll County Health Department would earn ninety percent as revenue. The Organization records its ten percent earned revenue as income and the ninety percent collected and owed to the Carroll County Health Department as a liability Due to Carroll County Health Department. The amount Due to Carroll County Health Department for fiscal year 2018 of \$112,800 was paid in August 2018.