

**SMITH MEDICAL CLINIC, INC.
PAWLEYS ISLAND, SOUTH CAROLINA**

REPORT OF INDEPENDENT AUDITORS

***FINANCIAL STATEMENTS
Year Ended December 31, 2017***

**SMITH MEDICAL CLINIC, INC.
PAWLEYS ISLAND, SOUTH CAROLINA**

CONTENTS

Page

REPORT OF INDEPENDENT AUDITORS

1 - 2

FINANCIAL STATEMENTS

Statement of financial position

3

Statement of activities

4

Statement of functional expenses

5

Statement of cash flows

6

Notes to financial statements

7 - 10

REPORT OF INDEPENDENT AUDITORS

To the Board of Directors
Smith Medical Clinic, Inc.
Pawleys Island, South Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of Smith Medical Clinic, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities, 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. 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 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 includes evaluating the appropriateness of accounting policies used and reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

(Continued)

DEBORAH M WEIR, CPA, LLC

4717 Jenn Drive
Suite 100
Myrtle Beach, SC 29577

Post Office Box 2999
Myrtle Beach, SC 29578-2999
Telephone: (843) 497-6668
Facsimile: (843) 497-6751

REPORT OF INDEPENDENT AUDITORS

(Continued)

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 Smith Medical Clinic, Inc. as of December 31, 2017, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Deborah M Weir, CPA, LLC

Myrtle Beach, South Carolina
October 1, 2018

SMITH MEDICAL CLINIC, INC.
STATEMENT OF FINANCIAL POSITION
For the Year Ended December 31, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals</u>
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents (Notes 1 and 3)	\$ 34,278	\$ 2,900	\$ 37,178
Short-term investments (Notes 1 and 3)	185,244	-	185,244
Prepaid insurance	8,333	-	8,333
	<u>227,855</u>	<u>2,900</u>	<u>230,755</u>
Total current assets			
	<u>227,855</u>	<u>2,900</u>	<u>230,755</u>
PROPERTY AND EQUIPMENT, net of accumulated depreciation (Note 4)	638,616	-	638,616
TOTAL ASSETS	\$ 866,471	\$ 2,900	\$ 869,371
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable	\$ 11,465	\$ -	\$ 11,465
Accrued payroll	10,327	-	10,327
Payroll tax liabilities	7,364	-	7,364
	<u>29,156</u>	<u>-</u>	<u>29,156</u>
TOTAL CURRENT LIABILITIES			
	<u>29,156</u>	<u>-</u>	<u>29,156</u>
NET ASSETS (Note 7)	837,315	2,900	840,215
TOTAL LIABILITIES AND NET ASSETS	\$ 866,471	\$ 2,900	\$ 869,371

*The accompanying Notes to Financial Statements are
an integral part of these financial statement.*

SMITH MEDICAL CLINIC, INC.
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2017

	Unrestricted	Temporarily Restricted	Totals
REVENUES			
Contributions	\$ 176,082	\$ -	\$ 176,082
Grants	181,757	137,072	318,829
Contributed services (Notes 1 and 6)	637,960	-	637,960
Contributed facilities usage (Notes 1 and 6)	37,568	-	37,568
Fundraising	173,327	-	173,327
Less: fundraising costs	(23,963)	-	(23,963)
Interest income	1,873	-	1,873
NET ASSETS RELEASED FROM RESTRICTIONS (Note 7)	134,172	(134,172)	-
TOTAL REVENUES	1,318,776	2,900	1,321,676
EXPENSES			
PROGRAM SERVICES			
Medical clinic	1,059,730	-	1,059,730
Pharmacy	15,524	-	15,524
Total program services expenses	1,075,254	-	1,075,254
SUPPORT SERVICES			
Management and general	234,533	-	234,533
Total support services expenses	234,533	-	234,533
TOTAL EXPENSES	1,309,787	-	1,309,787
CHANGE IN NET ASSETS FROM OPERATIONS	8,989	2,900	11,889
Gain (loss) on disposal of assets	(36,554)	-	(36,554)
CHANGE IN NET ASSETS	(27,565)	2,900	(24,665)
Net assets, at beginning of year	864,880	-	864,880
NET ASSETS, AT END OF YEAR	\$ 837,315	\$ 2,900	\$ 840,215

*The accompanying Notes to Financial Statements are
an integral part of these financial statement.*

SMITH MEDICAL CLINIC, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2017

	PROGRAM SERVICES			SUPPORT SERVICES	Memorandum
	Medical Clinic	Pharmacy	Total	Management and General	Only Totals
Personnel:					
Salaries	\$ 199,701	\$ 5,494	\$ 205,195	\$ 147,746	\$ 352,941
Contributed services (Note 6)					
Physicians and specialists	395,800	-	395,800	-	395,800
Nursing	125,520	-	125,520	-	125,520
Counselors, dieticians, and other providers	-	9,000	9,000	-	9,000
Professional administrative staff	107,640	-	107,640	-	107,640
Payroll taxes	15,277	420	15,697	11,210	26,907
Total personnel	843,938	14,914	858,852	158,956	1,017,808
Medical supplies	48,037	-	48,037	-	48,037
Pharmaceutical supplies	26,378	-	26,378	-	26,378
Specialty healthcare programs	63,599	-	63,599	-	63,599
Background checks	644	-	644	-	644
Continuing education	1,013	-	1,013	-	1,013
Dues and subscriptions	1,828	-	1,828	-	1,828
Depreciation (Note 4)	22,077	10	22,087	2,211	24,298
Hazardous waste disposal	2,735	-	2,735	-	2,735
Insurance	3,025	-	3,025	3,393	6,418
Legal, accounting and other professional services	-	-	-	3,950	3,950
Licenses, permits and fees	-	-	-	4,551	4,551
Occupancy - contributed facilities (Note 6)	34,183	-	34,183	3,385	37,568
Office supplies	-	-	-	33,576	33,576
Postage	-	-	-	2,659	2,659
Repairs and maintenance	-	-	-	12,957	12,957
Security	-	-	-	1,391	1,391
Telephone	-	-	-	6,844	6,844
Utilities	4,738	600	5,338	660	5,998
Volunteer training recognition	7,535	-	7,535	-	7,535
TOTAL FUNCTIONAL EXPENSES	\$ 1,059,730	\$ 15,524	\$ 1,075,254	\$ 234,533	\$ 1,309,787

The accompanying Notes to Financial Statements are an integral part of this financial statement.

SMITH MEDICAL CLINIC, INC.
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Change in net assets	\$ (27,565)	\$ 2,900	\$ (24,665)
Adjustments to reconcile change in net assets to net cash and cash equivalents provided (used) by operating activities:			
Depreciation	24,298	-	24,298
(Gain) loss on disposal of assets	36,554	-	36,554
Interest earnings added to principal of short-term investments	(1,275)	-	(1,275)
(Increase) decrease in:			
Prepaid insurance	(8,333)	-	(8,333)
Increase (decrease) in:			
Accounts payable	(237,485)	-	(237,485)
Accrued payroll	10,327	-	10,327
Payroll tax liabilities	7,110	-	7,110
	<u> </u>	<u> </u>	<u> </u>
NET CASH AND CASH EQUIVALENTS PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(196,369)</u>	<u>2,900</u>	<u>(193,469)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property and equipment	(24,300)	-	(24,300)
Redemption of short-term investments	30,536	-	30,536
	<u> </u>	<u> </u>	<u> </u>
NET CASH AND CASH EQUIVALENTS PROVIDED (USED) BY INVESTING ACTIVITIES	<u>6,236</u>	<u>-</u>	<u>6,236</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(190,133)	2,900	(187,233)
CASH AND CASH EQUIVALENTS, at beginning of year	224,411	-	224,411
CASH AND CASH EQUIVALENTS, AT END OF YEAR	\$ 34,278	\$ 2,900	\$ 37,178
SUPPLEMENTAL DISCLOSURE:			
Noncash investing activities			
Completion and capitalization of building	\$ 614,467	\$ -	\$ 614,467

*The accompanying Notes to Financial Statements are
an integral part of this financial statement.*

SMITH MEDICAL CLINIC, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1. NATURE AND PURPOSE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature and Purpose of Organization:

Smith Medical Clinic, Inc. (the “Clinic”) is a nonprofit organization, formed in 1984, whose purpose is to provide free healthcare services to low-income, uninsured adults in Georgetown County, South Carolina. The Clinic’s primary location is in Pawleys Island, South Carolina but also operates a small office clinic in Georgetown, South Carolina, both of which are supported primarily through contributions and grants.

The following is a summary of the more significant policies used in the preparation and presentation of the accompanying financial statements.

Basis of Accounting:

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

Basis of Presentation:

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) in its Accounting Standards Codification. The Clinic reports information regarding its financial position and activities within three (3) classes of net assets (unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets) based on the existence or absence of donor-imposed restrictions.

Cash and Cash Equivalents:

Cash and cash equivalents consist primarily of checking and money market accounts. The Clinic considers all certificates of deposit and highly liquid investment instruments, if any, with original maturities of less than ninety (90) days to be cash equivalents.

Short-Term Investments:

The Clinic considers all certificates of deposit with original maturities in excess of ninety (90) days to be short-term investments. All short-term investments are stated at cost, which approximates market value.

Property and Equipment:

Property and equipment are stated at historical cost, if purchased, or at estimated fair market value at date of donation, if donated, less accumulated depreciation. It is the Clinic’s policy to capitalize acquisitions of property and equipment in excess of \$5,000 and with useful lives of greater than one year. During November 2017, the Clinic changed and lowered its capitalization threshold to \$2,500. Depreciation is computed using straight-line and accelerated methods over the estimated useful lives of the assets, which range from five to thirty-nine years. Maintenance and repairs are expensed as incurred. Expenditures which substantially increase the useful lives of the assets are capitalized.

(Continued)

SMITH MEDICAL CLINIC, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1. NATURE AND PURPOSE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition:

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence of donor restrictions.

Contributions, grants and contributed services are considered to be available for unrestricted use unless specifically restricted by the grantor or donor. Amounts received that are designated for future periods or restricted by the grantor or donor for specific purposes, are reported as temporarily restricted support. When a restriction is satisfied, either by use of resources in the manner specified by the donor, or by the passage of time, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

At December 31, 2017, the Clinic had not received any contributions, grants or donations resulting in permanently restricted net assets.

Contributed Facilities and Services:

The Clinic occupied, without charge, office space in a Pawleys Island facility owned by an associated nonprofit organization, Holy Cross Faith Memorial Episcopal Church and also office space in Georgetown in a facility owned by an unrelated entity. (See also Note 6).

The Clinic also receives contributed specialized services by various individuals. The amounts reflected in the financial statements for these contributed services meet the criteria for recognition under FASB.

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 and disclosures. Accordingly, actual results could differ from those estimates.

Concentrations:

Credit Risk – Financial instruments which may potentially subject the Clinic to concentrations of credit risk, as defined by accounting principles generally accepted in the United States of America, consist primarily of bank accounts on deposit at financial institutions, with balances which may at times exceed the amounts insured under the provisions of the Federal Deposit Insurance Corporation (FDIC).

Geographic – The Clinic is engaged in a single industry in two (2) locations. Accordingly, the Clinic is subject to the normal risks and economic conditions in this area that any such entity is exposed, including the potential for business disruption due to hurricanes, acts of nature or other uncontrollable factors.

(Continued)

SMITH MEDICAL CLINIC, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1. NATURE AND PURPOSE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Total Columns:

Total columns for current year information are presented to facilitate financial analysis. Data in these columns does not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation.

NOTE 2. DATE OF MANAGEMENT'S REVIEW

In preparing the financial statements, the Clinic has evaluated events and transactions for potential recognition or disclosure through October 1, 2018, the date the financial statements were available to be issued. Based on this evaluation, the Clinic is not aware of any subsequent events that require recognition or disclosure in the financial statements.

NOTE 3. CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS

At December 31, 2017, the Clinic's cash, cash equivalents and short-term balances were fully insured under the FDIC provisions.

NOTE 4. PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2017 consisted of the following:

Building	\$ 614,467
Furniture and fixtures	14,303
Medical equipment	64,200
Office equipment	25,040
Signage	<u>2,902</u>
	\$ 720,912
Less accumulated depreciation	<u>(82,296)</u>
	<u>\$ 638,616</u>

Depreciation expense totaled \$24,298 during 2017.

NOTE 5. INCOME TAXES

The Clinic qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and, therefore, no provision for income taxes has been provided in the financial statements.

The Clinic follows the accounting for uncertainty in income tax guidance, which clarifies the accounting and recognition for tax positions taken or expected to be taken in its income tax returns. The Clinic's tax filings are subject to audit by various taxing authorities; however, those returns prior to 2014 are generally no longer open to possible examination.

SMITH MEDICAL CLINIC, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 6. CONTRIBUTED FACILITIES AND SERVICES

On January 15, 2017, the Clinic occupied and placed into service its new medical facility and office building. (See Note 4). Accordingly, the office space in facilities owned by Holy Cross Faith Memorial Episcopal Church, an associated nonprofit organization, the Clinic previously occupied without charge, were vacated. No estimated fair market rental value was recorded in the Clinic's Statement of Activities and Statement of Financial Position for the period the office space was used.

In December 2015, the Clinic entered into a lease agreement with Holy Cross Faith Memorial Episcopal Church, for a parcel of land on which the new medical facility and administrative office building resides. Under the agreement, the Clinic will lease the land, without charge, for twenty (20) years and thereafter renewable for a further period of twenty (20) years. The estimated annual fair market value of the leased land is \$22,568 and also is shown as contributed facilities support with a corresponding contributed expense on the Clinic's Statement of Activities and Statement of Functional Expenses.

Further, the Clinic also utilizes, without charge, clinic office space in Georgetown, South Carolina in a building owned by an unrelated entity. The estimated annual fair market rental value, totaling \$15,000, is shown as contributed facilities support with corresponding contributed occupancy expenses on the Clinic's Statement of Activities and Statement of Functional Expenses.

The Clinic receives a significant amount of contributed services from unpaid volunteers who assist in providing medical care and related services to Clinic patients. In accordance with applicable accounting standards, the contributed services are provided by individuals possessing specialized skills and those skills would have required purchasing if not provided by donation. For the year ended December 31, 2017, the monetary values as determined and calculated by management are as follows:

Physicians and specialists	\$395,800
Nursing staff	125,520
Counselors, dieticians, and other providers	9,000
Professional administrative staff	<u>107,640</u>
Total	<u>\$637,960</u>

NOTE 7. TEMPORARILY RESTRICTED NET ASSETS

Net assets released from restrictions during the year ended December 31, 2017 by incurring expenses satisfying the purposes specified by the donors and grantors totaled \$127,002.

Temporarily restricted net assets at December 31, 2017 were available for the following purposes:

Physical therapy	\$2,900
------------------	---------