

Smith Medical Clinic, Inc.
Financial Statements
Year Ended December 31, 2020
and
Independent Auditors' Report

Smith Medical Clinic, Inc.
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December 31, 2020

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Independent Auditors' Report

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

Opinion

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, 2020, the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

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, 2020 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Smith Medical Clinic, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Smith Medical Clinic, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial

likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Smith Medical Clinic, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Smith Medical Clinic, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Smith Sapp Professional Association
Certified Public Accountants

Myrtle Beach, South Carolina
August 16, 2021

Smith Medical Clinic, Inc.
Statement of Financial Position
December 31, 2020
With Comparative Amounts for December 31, 2019

	2020	2019
Assets		
Cash and Cash Equivalents	\$ 245,551	\$ 100,038
Certificates of Deposit	134,459	186,745
Contributions Receivable	30,000	6,366
Prepaid Expenses	12,862	14,529
Property and Equipment, Net	562,117	584,839
Total Assets	984,989	892,517
Liabilities and Net Assets		
Liabilities		
Accounts Payable and Accrued Expenses	5,806	6,043
Total Liabilities	5,806	6,043
Net Assets		
Without Donor Restrictions	962,984	875,091
With Donor Restrictions	16,199	11,383
Total Net Assets	979,183	886,474
Total Liabilities and Net Assets	\$ 984,989	\$ 892,517

The accompanying notes are an integral part of the financial statements.

Smith Medical Clinic, Inc.
Statement of Financial Position
Year Ended December 31, 2020
With Comparative Amounts for December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Totals	
			2020	2019
Support and Revenues				
Contributions	\$ 333,860	\$	\$ 333,860	\$ 260,576
Grants	191,184	77,847	269,031	262,429
Contributed Services	381,465		381,465	715,555
Contributed Facilities	67,566		67,566	67,566
Fundraising	124,175		124,175	218,870
Cares Act Grants	83,230		83,230	
Other	2,929		2,929	3,330
Total Support and Revenues	<u>1,184,409</u>	<u>77,847</u>	<u>1,262,256</u>	<u>1,528,326</u>
Net Assets Released From Restrictions	<u>73,031</u>	<u>(73,031)</u>		
Expenses				
Program Services				
Medical Clinic	922,211		922,211	1,194,684
Supporting Activities				
Management and General	201,545		201,545	257,992
Fundraising	45,791		45,791	68,537
Total Expenses	<u>1,169,547</u>		<u>1,169,547</u>	<u>1,521,213</u>
Increase in Net Assets	87,893	4,816	92,709	7,113
Net Assets - Beginning	<u>875,091</u>	<u>11,383</u>	<u>886,474</u>	<u>879,361</u>
Net Assets - Ending	<u>\$ 962,984</u>	<u>\$ 16,199</u>	<u>\$ 979,183</u>	<u>\$ 886,474</u>

The accompanying notes are an integral part of the financial statements.

Smith Medical Clinic, Inc.
Statement of Financial Position
Year Ended December 31, 2020
With Comparative Amounts for December 31, 2019

	Medical Clinic	Management and General	Fundraising	Totals	
				2020	2019
Personnel:					
Salaries	\$ 322,425	\$ 91,847	\$ 21,904	\$ 436,176	\$ 422,863
Payroll Taxes	25,112	7,153	1,706	33,971	28,732
Contributed Services	339,710	41,755		381,465	715,555
Total Personnel	<u>687,247</u>	<u>140,755</u>	<u>23,610</u>	<u>851,612</u>	<u>1,167,150</u>
Medical Supplies	33,449			33,449	38,285
Pharmaceutical Supplies	16,424			16,424	12,281
Specialty Healthcare Programs	61,653			61,653	87,420
Volunteer Training Recognition		984		984	9,543
Contributed Facilities	60,809	4,730	2,027	67,566	67,566
Fundraising Costs			16,010	16,010	29,488
Depreciation	23,011	1,211		24,222	25,757
Hazardous Waste Disposal	448			448	1,453
Professional Services	8,123	6,498	1,625	16,246	3,750
Licenses, Permits & Fees	2,666		246	2,912	5,607
Office Expenses	21,671	26,228	2,273	50,172	53,768
Other Operating Expenses	6,710	21,139		27,849	19,145
	<u>\$ 922,211</u>	<u>\$ 201,545</u>	<u>\$ 45,791</u>	<u>\$ 1,169,547</u>	<u>\$ 1,521,213</u>

The accompanying notes are an integral part of the financial statements.

Smith Medical Clinic, Inc.
Statement of Financial Position
December 31, 2020
With Comparative Amounts for December 31, 2019

	2020	2019
Cash Flows From Operating Activities		
Increase in Net Assets	\$ 92,709	\$ 7,113
Adjustments to Reconcile Increase in Net Assets to Net Cash and Cash Equivalents Provided (Used) by Operating Activities		
Depreciation	24,222	25,757
Gain on Disposal of Property and Equipment		(229)
Changes in Assets and Liabilities:		
Increase in Contributions Receivable	(23,634)	(6,366)
Increase (Decrease) in Prepaid Expenses	1,667	(7,530)
(Decrease) in Accounts Payable and Accrued Expenses	(237)	(3,673)
Net Cash and Cash Equivalents Provided by Operating Activities	94,727	15,072
Cash Flows From Investing Activities		
Purchases of Certificates of Deposit	(28,269)	
Maturities of Certificates of Deposit	80,555	
Reinvestment of Certificate of Deposit Interest		(1,984)
Purchase of Property and Equipment	(1,500)	
Proceeds from Sale of Property and Equipment		2,125
Net Cash and Cash Equivalents Provided by Investing Activities	50,786	141
Net Increase in Cash and Cash Equivalents	145,513	15,213
Cash and Cash Equivalents - Beginning	100,038	84,825
Cash and Cash Equivalents - Ending	\$ 245,551	\$ 100,038

The accompanying notes are an integral part of the financial statements.

Smith Medical Clinic, Inc.
Notes to Financial Statements
December 31, 2020

Note 1 – Organization & Summary of Significant Accounting Policies

Nature of Activities

Smith Medical Clinic, Inc. (the “Clinic” or “Organization”) is a not-for-profit corporation, which was incorporated in the state of South Carolina 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 the Organization also operates a small office clinic in Georgetown, South Carolina, both of which are supported primarily through contributions and grants.

Basis of Accounting

The financial statements of the Organization are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“US GAAP”). Such statements of financial position are presented in order of liquidity.

The preparation of financial statements in conformity with US GAAP 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 could differ from those estimates. The most significant estimates relate to the determination of the useful lives of Property and Equipment.

Basis of Presentation

The financial statements of the Organization have been prepared in accordance with Accounting Standards Update 2016-14, which requires the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Organization's management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. There are no known perpetually restricted net assets as of December 31, 2020.

Contributions and Grants

Contributions and grants are recorded as net assets without donor restrictions or net assets with donor restrictions depending upon the existence and/or nature of donor restrictions. Contributions and grants may also be subject to conditions, in the form of both a barrier to entitlement and a refund of amounts paid (or a release from obligation to make future payments). Contributions and grants from conditional non-exchange transactions are recognized when the barrier is satisfied, which is generally as costs are incurred. In addition, the Organization has elected the simultaneous release option for conditional contributions that are subject to purpose restrictions. Under this option, net assets without donor restrictions include the donor-restricted contributions for which the purpose restrictions are met in the same reporting period as the revenue is recognized. Contributions and grants that are considered unconditional generally are recognized as revenues with donor restrictions when the grant funds are awarded and are released into net assets without donor restrictions when the purpose has been met.

The Organization records contributions receivable, net of allowances for estimated uncollectable amounts, when there is sufficient evidence in the form of verifiable documentation that an unconditional promise was received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met. The Organization discounts multi-year pledges that are expected to be collected after one year using a risk adjusted discount rate. Multi-year pledges are recorded at fair value at the date of the pledge.

Smith Medical Clinic, Inc.
Notes to Financial Statements
December 31, 2020

All other contributions are recorded in contributions receivable. The allowance for doubtful accounts is determined by the age of the balance, historical collection rates, and specific identification of uncollectible accounts. Uncollectible contributions receivable are charged to the allowance. An expense is recorded at the time the allowance is adjusted.

Contributed Services

When the Organization receives discounts related to, or full contributions of, professional services in helping the Organization further its objectives, and those services meet the definitional qualifications provided by US GAAP, they are required to be recognized in the financial statements. Contributions of such services often include the performance of services, which require specialized skills, in creating or enhancing non-financial assets. When qualifying services are contributed, they are recorded at the fair value of the services received as increases in the appropriate support and expense line items of the financial statements.

Contributed Facilities

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 \$22,566 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 \$45,000, is shown as contributed facilities support with corresponding contributed occupancy expenses on the Clinic's Statement of Activities and Statement of Functional Expenses.

Expense Allocation

The costs of providing program and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting activities benefited on a reasonable basis that is consistently applied. The expenses that are allocated include the following:

	<u>Method of Allocation</u>
Salaries	Time and Effort
Payroll Taxes	Time and Effort
Contributed Facilities	Usage Studies
Depreciation	Usage Studies
Professional Services	Time and Effort
Office Expense	Usage Studies
Other Operating Expense	Usage Studies

Cash and Cash Equivalents

The Organization considers all demand deposits, money market accounts and other highly liquid investments with original maturities of three months or less to be cash equivalents.

The Organization maintains bank accounts at multiple financial institutions. The Organization's cash and cash equivalents and certificate of deposit balances at the financial institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At December 31, 2020, the Organization's bank balances were entirely insured by the FDIC.

Certificates of Deposit

The Clinic records all certificates of deposit with original maturities in excess of 90 days at cost, which approximates market value.

Smith Medical Clinic, Inc.
Notes to Financial Statements
December 31, 2020

Prepaid Expenses

Prepaid expenses are recognized when payments have been made for products or services that will not be used in operations until the following year.

Property and Equipment

All acquisitions of equipment and leasehold improvements in excess of \$2,500 and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Equipment and leasehold improvements are stated at cost or, if donated, at the approximate fair value on the date of donation. Depreciation is calculated utilizing the straight-line method. The estimated useful lives of the assets for purposes of computing depreciation are as follows:

Buildings and Improvements	10-39 years
Furniture and Equipment	5-7 years

Income Taxes

The Organization is a nonprofit corporation as described in Section 501(c)(3) of the United States Internal Revenue Code and is exempt from federal and state income taxes.

Accounting standards prescribe when to recognize and how to measure the effects of tax positions taken or expected to be taken. In order to be recognized, a tax position must be more likely than not to be sustained upon examination by taxing authorities. To the extent that all or a portion of a tax position is not recognized, a liability would be recognized for the unrecognized benefits. As of December 31, 2020, management has determined that the Organization does not have any material unrecognized tax benefits.

Prior-Year Information

The financial statements include limited prior-year comparative information but not all of the information required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2019, from which the comparative information was derived.

Note 2 – Liquidity and Availability of Financial Assets

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures and liabilities come due. In addition, excess cash is invested in certificates of deposit. Financial assets available for general expenditures within one year are as follows as of December 31, 2020:

Total Assets at Year End	\$	984,989
Less:		
Cash Restricted for Capital Acquisitions		(14,250)
Cash Restricted for Other Purposes		(1,949)
Contributions Receivable Due In More Than One Year		(15,000)
Prepaid Expenses		(12,862)
Property and Equipment		(562,117)
	\$	<u>378,811</u>

Note 3 – Certificates of Deposit

The Clinic maintains a portion of its operating funds in federally insured fixed income certificates of deposit. As of December 31, 2020, the Clinic held certificates of deposit of \$134,459. As of December 31, 2020, the certificates of deposit bear interest ranging from 0.15% to 1.55% and mature during the year ending December 31, 2021.

Smith Medical Clinic, Inc.
Notes to Financial Statements
December 31, 2020

Note 4 – Contributions Receivable

At December 31, 2020, contributions receivable was comprised of \$30,000 of unconditional promises to give. The Organization expects to receive \$15,000 during each of the years ended December 31, 2021 and 2022, respectively.

Note 5 – Property and Equipment

Property and equipment consisted of the following at December 31, 2020:

Building and Improvements	\$	607,297
Equipment		79,646
Furniture		26,998
Construction in Progress		<u>1,500</u>
		715,441
Accumulated Depreciation		<u>(153,324)</u>
	\$	<u>562,117</u>

During the year ended December 31, 2020, depreciation expense amounted to \$24,222.

Note 6 – Net Assets with Donor Restrictions

The detail of the Organization's net asset categories at December 31, 2020 is as follows:

		<u>2020</u>
Without Donor Restrictions:		
Undesignated	\$	962,984
With Donor Restrictions:		
Building Fund		14,250
Patient Transportation		<u>1,949</u>
Total With Donor Restrictions		<u>16,199</u>
Total Net Assets	\$	<u>979,183</u>

Note 7 – Commitments and Contingencies

From time to time, the Organization is involved in various litigations arising in the ordinary course of business. In the opinion of management, the disposition of all such matters should not have a material adverse effect on the Organization financial position or changes in its net assets.

Note 8 – Subsequent Events

The Organization has evaluated subsequent events through August 16, 2021, the date which the financial statements were available to be issued.

In January 2020, the World Health Association declared the novel strain of coronavirus ("COVID-19") a Public Health Emergency of International Concern. The services provided by the Clinic were impacted by COVID – 19 as many volunteers were not available. The Clinic followed CDC guidelines to maintain patient, staff and volunteer safety. The continued spread of COVID-19 or any other similar outbreaks in the future and the continued impact on social interaction, travel, economies and financial markets is expected to materially impact the Organization's finances and operations. While the full impact of COVID-19 cannot be fully

Smith Medical Clinic, Inc.
Notes to Financial Statements
December 31, 2020

determined at this time, other adverse consequences of COVID-19 may include, but are not limited to, a further decline in revenues and/or potential future liquidity concerns.

During 2020, the Organization entered into a \$83,230 First Draw Paycheck Protection Program (PPP) loan. The unsecured loan bears interest at 1.0% and matures on April 30, 2022. PPP loans are fully forgivable as long as the funds are used for eligible purposes, including payroll costs, rent and utilities, and the Organization maintains payroll levels. The amount of loan forgiveness is reduced for employee terminations or salary reductions. The Organization received formal forgiveness of the First Draw PPP loan during 2021.

In accordance with the AICPA Technical Question and Answer 3200.18, the Organization has elected to account for the PPP loan as a government grant. Under this option, grant revenue is recognized when the conditions of the grant are substantially met or have been waived.

During 2021, the Organization entered into a \$90,528 Second Draw Paycheck Protection Program (PPP) loan, which the Organization expects to be forgiven during 2021.