

**ABCCM DOCTORS' MEDICAL CLINIC, INC.**  
Asheville, North Carolina

Audited Financial Statements

For the Years Ended  
December 31, 2020 and 2019

**ABCCM DOCTORS' MEDICAL CLINIC, INC.**  
Asheville, North Carolina

CONTENTS

	<u>Page(s)</u>
INDEPENDENT AUDITORS' REPORT	1-2
FINANCIAL STATEMENTS	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	5
Statements of Cash Flows	6
Notes to the Financial Statements	7-13

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
ABCCM Doctors' Medical Clinic, Inc.

We have audited the accompanying financial statements of ABCCM Doctors' Medical Clinic, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

As described in Note 1, the ABCCM Doctors' Medical Clinic, Inc. is controlled by the member. Due to its controlling financial interest, Asheville-Buncombe Community Christian Ministry, Inc. consolidates the ABCCM Doctors' Medical Clinic, Inc. into its financial statements for the years ended December 31, 2020 and 2019.

### **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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from 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, we 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.

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 ABCCM Doctors' Medical Clinic, Inc. as of December 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Goldsmith Molis & Gray, PLLC*

Goldsmith Molis & Gray, PLLC  
Asheville, North Carolina  
May 3, 2021

**ABCCM DOCTORS' MEDICAL CLINIC, INC.**

Statements of Financial Position

December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<b><u>Assets</u></b>		
Current assets:		
Cash	\$ 245,648	\$ 415,491
Investments	66,327	65,724
Inventory	2,014,676	1,763,176
Grant receivable	9,075	11,577
Other receivables	1,507	2,595
Prepaid expenses	7,704	16,327
	<u>                    </u>	<u>                    </u>
Total current assets	<u>\$ 2,344,937</u>	<u>\$ 2,274,890</u>
<b><u>Liabilities and Net Assets</u></b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 62,950	\$ 40,043
Total current liabilities	<u>62,950</u>	<u>40,043</u>
Net assets:		
Without donor restrictions	2,208,887	1,934,847
With donor restrictions	73,100	300,000
Total net assets	<u>2,281,987</u>	<u>2,234,847</u>
	<u>                    </u>	<u>                    </u>
Total liabilities and net assets	<u>\$ 2,344,937</u>	<u>\$ 2,274,890</u>

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

**ABCCM DOCTORS' MEDICAL CLINIC, INC.**

Statements of Activities

For the Years Ended December 31, 2020 and 2019

	2020		2019	
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions
		Total		Total
Revenues, gains and other support:				
In-kind contributions	\$ 4,848,499	\$ 4,848,499	\$ 4,519,891	\$ 4,519,891
Member contributions	380,000	380,000	360,000	360,000
Non-member contributions	6,080	6,080	24,350	24,350
Grant income	70,000	506,457	50,000	507,014
Interest income	603	603	532	532
Other income	1,920	1,920	2,314	2,314
Total revenues, gains and other support	<u>5,307,102</u>	<u>5,743,559</u>	<u>4,957,087</u>	<u>5,414,101</u>
Net assets released from restrictions	663,357	-	157,014	(157,014)
Total revenues, gains and other support	<u>5,970,459</u>	<u>5,743,559</u>	<u>5,114,101</u>	<u>5,414,101</u>
Expenses:				
Program services	5,466,616	5,466,616	5,102,505	5,102,505
Management and general	229,803	229,803	186,672	186,672
Total expenses	<u>5,696,419</u>	<u>5,696,419</u>	<u>5,289,177</u>	<u>5,289,177</u>
Change in net assets	274,040	47,140	(175,076)	124,924
Net assets, beginning of year	1,934,847	2,234,847	2,109,923	2,109,923
Net assets, end of year	<u>\$ 2,208,887</u>	<u>\$ 2,281,987</u>	<u>\$ 1,934,847</u>	<u>\$ 2,234,847</u>

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

**ABCCM DOCTORS' MEDICAL CLINIC, INC.**  
 Statements of Functional Expenses  
 For the Years Ended December 31, 2020 and 2019

	2020			2019		
	Program Services	Management and General	Total	Program Services	Management and General	Total
Administrative fee	-	37,500	37,500	-	37,500	37,500
Contract labor	721,810	182,207	904,017	440,171	138,776	578,947
Total personnel and related expenses	721,810	219,707	941,517	440,171	176,276	616,447
Pharmacy expense	3,961,717	-	3,961,717	3,523,398	-	3,523,398
Contributed services-volunteers	525,516	-	525,516	878,070	-	878,070
Donated facility usage	137,790	-	137,790	137,790	-	137,790
Medical expense	12,582	-	12,582	9,886	-	9,886
Office supplies and computer expense	52,145	-	52,145	67,688	-	67,688
Insurance	13,748	1,529	15,277	12,758	1,551	14,309
Utilities	9,068	-	9,068	10,115	-	10,115
Dental expense	624	-	624	1,633	-	1,633
Professional fees	-	8,100	8,100	-	7,926	7,926
Telephone	10,737	-	10,737	10,705	-	10,705
Repairs and maintenance	13,342	-	13,342	4,210	-	4,210
Housekeeping	1,575	-	1,575	1,524	-	1,524
Dues and licenses	5,129	-	5,129	3,867	-	3,867
Postage and mailing	428	-	428	345	-	345
Conferences and seminars	-	-	-	-	151	151
Travel	-	-	-	-	292	292
Volunteer recognition	-	57	57	-	68	68
Finance charges	-	396	396	-	376	376
Meals	-	14	14	-	32	32
Miscellaneous	405	-	405	345	-	345
Total expenses	\$ 5,466,616	\$ 229,803	\$ 5,696,419	\$ 5,102,505	\$ 186,672	\$ 5,289,177

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

**ABCCM DOCTORS' MEDICAL CLINIC, INC.**

## Statements of Cash Flows

For the Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Change in net assets	\$ 47,140	\$ 124,924
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Change in operating assets and liabilities:		
Inventory	(251,500)	(8,025)
Grant receivable	2,502	(2,762)
Other receivables	1,088	(1,348)
Prepaid expenses	8,623	(7,843)
Accounts payable and accrued expenses	22,907	(12,526)
Net cash provided by (used in) operating activities	<u>(169,240)</u>	<u>92,420</u>
Cash flows from investing activities:		
Proceeds from sale of investments	54,667	54,123
Purchase of investments	(55,270)	(54,655)
Net cash used in investing activities	<u>(603)</u>	<u>(532)</u>
Change in cash	(169,843)	91,888
Cash, beginning of year	<u>415,491</u>	<u>323,603</u>
Cash, end of year	<u>\$ 245,648</u>	<u>\$ 415,491</u>

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



## ABCCM DOCTORS' MEDICAL CLINIC, INC.

Notes to the Financial Statements

For the Years Ended December 31, 2020 and 2019

### **Note 1 – Summary of Significant Accounting Policies**

ABCCM Doctors' Medical Clinic, Inc. (the "Clinic") is a nonprofit entity whose sole member is Asheville-Buncombe Community Christian Ministry, Inc. The Clinic (a) increases the access to basic health care services for the uninsured/indigent populations in the City of Asheville and throughout Buncombe County, North Carolina; (b) provides health coverage, focusing on serving acute/urgent care needs and assisting when reasonably possible those who require care management in accessing the appropriate private or institution-based service; and (c) augments the safety net by filling gaps with existing primary care and specialty care providers to promote the well-being of uninsured/indigent patients.

The Clinic is funded primarily through member support, donor contributions and grants.

#### Basis of Accounting

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

#### Financial Statement Presentation

The financial statements of the Clinic have been prepared in accordance with U.S. generally accepted accounting principles, which require the Clinic 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. These net assets may be used at the discretion of the Clinic's management and the board of directors.

**Net assets with donor restrictions:** Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Clinic or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

#### Contributions

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

**ABCCM DOCTORS' MEDICAL CLINIC, INC.**

Notes to the Financial Statements  
For the Years Ended December 31, 2020 and 2019

**Note 1 – Summary of Significant Accounting Policies - continued**

Use of Estimates

Preparation of financial statements in accordance with generally accepted accounting principles requires the Clinic's management to use estimates of certain amounts that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Fair Value of Financial Instruments

The Clinic discloses for each class of financial instruments the methods, and when a valuation technique is used, the significant assumptions applied in determining the fair values of financial assets and liabilities. If there is a change in the valuation technique, then the Clinic discloses both the change and the reasons for the change.

The Clinic estimates that the fair value of all financial instruments does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying Statements of Financial Position. The estimated fair value amounts have been determined by the Clinic using available market information and appropriate valuation methodologies. The Clinic's financial instruments consist primarily of cash and certificates of deposit, receivables, inventory, prepaid expenses, and accounts payable and accrued expenses.

Cash and Cash Equivalents

For purposes of reporting the statement of cash flows, the Clinic includes all cash investments which are not subject to withdrawal restrictions or penalties and certificates of deposits with original maturities of three months or less in cash and cash equivalents.

The Clinic maintains its cash in financial institutions insured by the Federal Deposit Insurance Corporation ("FDIC"). The coverage is \$250,000 for substantially all other depository accounts. Deposit accounts, at times, may exceed federally insured limits; however, the Clinic has not suffered any such losses as of December 31, 2020 and 2019.

Promises to Give

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are not recognized, as they do not meet the criteria for recognition. The Clinic uses the allowance method to determine uncollectible promises to give. The allowance is based on prior years' experience and management's analysis of specific promises made.

## **ABCCM DOCTORS' MEDICAL CLINIC, INC.**

Notes to the Financial Statements

For the Years Ended December 31, 2020 and 2019

### **Note 1 – Summary of Significant Accounting Policies - continued**

#### **Investments**

The Clinic reports its investments in accordance with generally accepted accounting principles for not-for-profit organizations. The guidance prescribes that covered investments be reported in the statement of financial position at fair value with any realized or unrealized gains or losses reported in the statement of activities. Investment income is recognized as revenue in the period it is earned and gains and losses are recognized as changes in net assets in the accounting period in which they occur.

#### **Inventory**

Inventory is composed of pharmaceuticals purchased by and donated to the Clinic and are stated at fair value on a first-in, first-out basis. The fair value is based on Average Wholesale Price (AWP), a widely used benchmark for pricing and reimbursement of prescription drugs for both government and private payers. Values are continuously revalued through pharmaceutical industry database software to which the Clinic subscribes. Any changes in valuation are absorbed through the pharmacy expense account.

#### **In-kind Contributions**

The Clinic receives in-kind contributions from various organizations and individuals. These consist of services, materials, and use of facilities and are valued at the fair market value of the donated service or item at the time of the donation. Contributed services are recognized in the financial statements if they (a) create or enhance non-financial assets, or (b) require specialized skills, are provided by individuals with those skills, and would typically need to be purchased if not provided by donation. When recognized, contributed services are reported at fair value. In-kind contributions include the AWP value of pharmaceuticals received at no cost, as well as the contributed value received through pharmaceutical purchases which the Clinic is eligible to make at amounts substantially below AWP value.

#### **Income Taxes**

The Clinic is established as a not-for-profit entity and has been recognized as an organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

FASB ASC 740, "Accounting for Uncertainty in Income Taxes", clarifies the accounting for the recognition and measurement of uncertainties in income taxes recognized in an entity's financial statements and prescribes a threshold of more-likely-than-not for recognition of tax positions taken or expected to be taken in a tax return. The Clinic's policy is to evaluate the likelihood that its uncertain tax positions will prevail upon examination based on the extent to which those positions have substantial support within the Internal Revenue Code and Regulations, Revenue Rulings, court decisions and other evidence.

**ABCCM DOCTORS' MEDICAL CLINIC, INC.**

Notes to the Financial Statements

For the Years Ended December 31, 2020 and 2019

**Note 1 – Summary of Significant Accounting Policies - continued**

As of December 31, 2020, the Clinic had no uncertain tax positions that qualify for either recognition or disclosure in the financial statements.

The Clinic's income tax returns are subject to examination by taxing authorities for a period of three years from the date they are filed. As of December 31, 2020, years subject to examination include 2017, 2018, and 2019.

**Functional Expenses**

The Clinic allocates its expenses on a functional basis between its program and support services. Expenses that can be identified with a specific program or support service are allocated directly according to their nature and expenditure classification. Other expenses that are common to several functions are allocated between management and general or the appropriate program based on an evaluation of benefits to each program. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Clinic. The Clinic does not incur fundraising expenses. ABCCM performs all fundraising for the Clinic and those expenses are reflected on ABCCM's consolidated financial statements.

**New Accounting Pronouncements**

*Revenue and Revenue Recognition*

On May 28, 2014 FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606) and subsequently issued related ASUs to further clarify certain matters related to FASB ASC 606. The objective of these ASUs is to allow financial statement users to understand the nature, amount, timing, and uncertainty of revenue and cash flows resulting from contracts with customers. These were implemented during the year ended December 31, 2019.

The Clinic recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met. Third party contracts and grants are conditioned upon certain performance requirements and the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Clinic has incurred expenditures in compliance with specific contract or grant provisions.

Analysis of various provisions of this standard resulted in no significant changes in the way the Clinic recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

**ABCCM DOCTORS' MEDICAL CLINIC, INC.**

Notes to the Financial Statements

For the Years Ended December 31, 2020 and 2019

**Note 2 - Investments**

At December 31, 2020 and 2019, the Clinic had investments held in certificates of deposit totaling \$66,327 and \$65,724, respectively. Interest income for the years ended December 31, 2020 and 2019 totaled \$603 and \$532, respectively.

**Note 3 - Inventory**

At December 31, 2020 and 2019, the Clinic had inventory composed of pharmaceuticals totaling \$2,014,676 and \$1,763,176, respectively.

**Note 4 –Net Assets**

Net assets without donor restrictions at December 31, 2020 and 2019 were \$2,208,887 and \$1,934,847, respectively.

Net assets with donor restrictions for the purpose of program activities at December 31, 2020 and 2019 were \$73,100 and \$300,000, respectively.

Net assets released from net assets with donor restrictions resulting from the satisfaction of purpose restrictions for program activities totaled \$663,357 and \$157,014 for the years ended December 31, 2020 and 2019, respectively.

The Clinic maintains an operating reserve equivalent to 75 days of the annual operating budget as designated by the board. The reserve is retained in cash and investments held in certificates of deposit. The amount of this reserve was \$238,685 and \$243,185 as of December 31, 2020 and 2019, respectively.

**Note 5 – In-kind Contributions**

A substantial number of volunteers have donated a significant amount of time and materials to the Clinic's operations and program services. Contributed services of \$525,516 and \$878,070 (management's estimate of the fair value) have been reflected in the accompanying financial statements as in-kind contributions for services contributed by medical/dental/pharmacy professionals at the Clinic for the years ended December 31, 2020 and 2019, respectively.

Contributed pharmaceuticals of \$4,185,193 and \$3,504,031 have been included in the financial statements as in-kind contributions, and as inventory and pharmacy expense for the years ended December 31, 2020 and 2019, respectively.

**ABCCM DOCTORS' MEDICAL CLINIC, INC.**

Notes to the Financial Statements

For the Years Ended December 31, 2020 and 2019

**Note 5 – In-kind Contributions - continued**

The Clinic operates in a facility owned by its members, Asheville – Buncombe Community Christian Ministry, Inc. (ABCCM). The estimated fair retail value of the donated facility for the years ended December 31, 2020 and 2019 was \$90,000 and \$90,000, respectively, and is reported as both in-kind contributions and donated facility usage expense in the financial statements. In addition, all equipment used is owned by ABCCM.

A portion of the Clinic's pharmacy operates in a facility owned by Buncombe County, subject to a lease beginning September 1, 2015 with rent of \$1 per year. The estimated fair value of the space for the years ended December 31, 2020 and 2019 was \$47,790 and \$47,790, respectively, and is reported as both in-kind contributions and donated facility usage expense in the financial statements.

**Note 6 – Related Party Transactions**

The Clinic receives a significant portion of its support from the corporate member described in Note 1. This support, as recognized in the financial statements, included the following:

	<u>2020</u>	<u>2019</u>
Member contributions:		
Asheville-Buncombe Community Christian Ministry, Inc.	\$ 380,000	\$ 360,000
In-kind contributions:		
Use of facilities owned by member (See Note 1)	<u>90,000</u>	<u>90,000</u>
	<u>\$ 470,000</u>	<u>\$ 450,000</u>

The Clinic operates under an agreement with ABCCM whereby the corporate member furnishes support services. This agreement provides for a monthly billing from ABCCM to the Clinic for the direct personnel expense of those assigned to the Clinic plus a fixed administrative fee. The Clinic has reported \$899,435 and \$576,648 in personnel service expense and \$37,500 and \$37,500 as an administrative fee under this agreement, for the years ended December 31, 2020 and 2019, respectively.

**ABCCM DOCTORS' MEDICAL CLINIC, INC.**

Notes to the Financial Statements

For the Years Ended December 31, 2020 and 2019

**Note 7 – Availability and Liquidity**

The Clinic's financial assets available at December 31, 2020 and 2019 within one year of the statement of financial position date for general expenditures are as follows:

	<u>2020</u>	<u>2019</u>
Cash	\$ 245,648	\$ 415,491
Investments	66,327	65,724
Grant receivable	9,075	11,577
Other receivables	<u>1,507</u>	<u>2,595</u>
Total financial assets	322,557	495,387

Less amounts unavailable for general expenditures within one year:

Board designation for liquidity reserve (See Note 4)	<u>(238,685)</u>	<u>(243,185)</u>
Total financial assets available within one year	<u>\$ 83,872</u>	<u>\$ 252,202</u>

The Clinic monitors levels of available financial assets to meet its operating needs, liabilities and other obligations as they come due. The Clinic's board has designated 75 days of expenses based on the current annual operating budget as an operating liquidity reserve, which was \$238,685 and \$243,185 as of December 31, 2020 and 2019, respectively. The objective of this reserve is to provide a source of funds to cover costs that are unplanned or unexpected.

**Note 8 – Subsequent Events**

The Clinic evaluated the effect that all subsequent events would have on the financial statements through May 3, 2021, which is the date the financial statements were available to be issued.