

ACCESS CARROLL, INC.
FINANCIAL STATEMENTS
JUNE 30, 2013

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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, 2013, 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, 2013 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 accepted in the United States of America. My opinion is not modified with respect to that matter.

Randall X. Snyder, CPA, LLC

Marriottsville, MD 21104
November 14, 2013

ACCESS CARROLL, INC.

**STATEMENT OF ASSETS, LIABILITIES AND NET ASSETS -
MODIFIED CASH BASIS**

June 30, 2013

ASSETS

CURRENT ASSETS

Cash and cash equivalents - undesignated	\$ 87,272
Cash and cash equivalents - designated	<u>36,514</u>
Total Current Assets	<u>123,786</u>

PROPERTY AND EQUIPMENT

-less accumulated depreciation of \$16,772	<u>20,109</u>
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Total Assets	\$ <u><u>143,895</u></u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Payroll taxes withheld	\$ 7,058
Obligation under capital lease	<u>3,600</u>
Total Current Liabilities	<u>10,658</u>

NONCURRENT LIABILITIES

Obligation under capital lease	10,200
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NET ASSETS (DEFICIT)

Unrestricted	86,523
Temporarily restricted	<u>36,514</u>
Total Net Assets (Deficit)	<u>123,037</u>

Total Liabilities and Net Assets	\$ <u><u>143,895</u></u>
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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, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues			
Donations	\$ 66,513	\$ 1,099,254	\$ 1,165,767
Grants	208,873	30,000	238,873
Special events	33,685	-	33,685
Other income	1,372	-	1,372
Net assets released from restrictions (note 5)			
Satisfaction of purpose restrictions	1,217,102	(1,217,102)	-
Interest	227	-	227
	<u>1,527,772</u>	<u>(87,848)</u>	<u>1,439,924</u>
Expenses			
Program services	1,558,153	-	1,558,153
Management and general	30,945	-	30,945
Fundraising	8,200	-	8,200
	<u>1,597,298</u>	<u>-</u>	<u>1,597,298</u>
CHANGE IN NET ASSETS	(69,526)	(87,848)	(157,374)
Net assets - Beginning of year	<u>156,049</u>	<u>124,362</u>	<u>280,411</u>
Net assets (Deficit) - End of year	<u>\$ 86,523</u>	<u>\$ 36,514</u>	<u>\$ 123,037</u>

See accompanying notes to financial statements.

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

For the Year Ended June 30, 2013

	Program Services	Management and General	Fundraising	Total
Advertising	\$ 4,872	\$ -	\$ -	\$ 4,872
Cleaning, repairs and maintenance	1,670	185	-	1,855
Dental	9,591	-	-	9,591
Donor recognition	10,142	-	-	10,142
Electronic health records	32,956	-	-	32,956
Employee benefits	9,412	1,046	-	10,458
Insurance	6,421	714	-	7,135
Interest	302	34	-	336
Medical supplies	4,576	-	-	4,576
Miscellaneous	439	49	-	488
Office/Postage	37,537	4,171	-	41,708
Parking	2,832	315	-	3,147
Payroll taxes	15,509	1,723	-	17,232
Pharmaceuticals	5,200	-	-	5,200
Professional fees	21,944	2,438	-	24,382
Rent	14,878	1,653	-	16,531
Salaries and wages	130,914	14,546	-	145,460
Special events/Capital campaign	1,211,380	-	8,200	1,219,580
Staff development	16,646	1,850	-	18,496
Taxes and licenses	2,115	235	-	2,350
Telephone	6,163	685	-	6,848
Utilities	6,028	670	-	6,698
Volunteer and staff appreciation	950	-	-	950
Depreciation and amortization	5,676	631	-	6,307
Total expenses	<u>\$ 1,558,153</u>	<u>\$ 30,945</u>	<u>\$ 8,200</u>	<u>\$ 1,597,298</u>

See accompanying notes to financial statements.

ACCESS CARROLL, INC.
STATEMENT OF CASH FLOWS
MODIFIED CASH BASIS
For the Year Ended June 30, 2013

CASH FLOWS FROM OPERATING ACTIVITIES

Cash Received from Public Support and Revenue	\$ 1,439,924
Cash Paid to Vendors and Employees	<u>(1,585,011)</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>(145,087)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Payments on Obligation under Capital Lease	<u>(3,600)</u>
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	<u>(3,600)</u>

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (148,687)

Cash at beginning of year 272,473

Cash at end of year \$ 123,786

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

Change in net assets	\$ (157,374)
Adjustments to Reconcile Net Cash Provided by (Used in) Operating Activities:	
Depreciation and amortization	6,307
(Increase) Decrease in Security Deposits	2,281
Increase (Decrease) in Payroll Taxes Payable	<u>3,699</u>
	<u>12,287</u>

NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES \$ (145,087)

See accompanying notes to financial statements.

ACCESS CARROLL, INC.

Notes to Financial Statements

June 30, 2013

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 and fundraising activities. Approximately 81% of the Organization's support came from donations and 17% from grants. 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 2009, 2010, and 2011 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 and grantor-restricted receipts 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, 2013

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 \$1,449,567 for the year ended June 30, 2013. At June 30, 2013, 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 \$4,872 for the year ended June 30, 2013.

ACCESS CARROLL, INC.

Notes to Financial Statements (Continued)

June 30, 2013

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 gifts and grants. Net assets are released from temporary restrictions as terms of the gift or grant are met.

Permanently Restricted Net Assets represent resources which are restricted indefinitely, such as endowments. The Organizations has no such assets as of June 30, 2013.

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, 2013, 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, 2013. At June 30, 2013, no amounts were in excess of the FDIC insurance limits.

ACCESS CARROLL, INC.

Notes to Financial Statements (Continued)

June 30, 2013

NOTE 3 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

Equipment	<u>Life</u> 3-7 years	\$34,881
Furniture	5 years	<u>2,000</u>
		36,881
Less – accumulated depreciation and amortization		<u>(16,772)</u>
		<u>\$ 20,109</u>

NOTE 4 – COMMITMENTS

The Organization has entered into a contract to evaluate a special campaign intended to raise \$1 million to help to expand the program, services and facilities of the Organization and to begin building an endowment to support future growth. The original contract in the amount of \$11,600 was revised to \$29,700. The Organization has received pledges of \$242,501 and collected \$214,331 of these pledges as of June 30, 2013. The special campaign for solicitations ceased as of June 30, 2013. Outstanding pledges are due to be paid through the fiscal year ending June 30, 2015.

On August 9, 2010, the Organization received a grant award notification in the amount of \$300,000 from the Maryland Community Health Resources Commission to be payable over the grant period of March 1, 2011 to December 31, 2012. A grant modification was requested June 15, 2012 and approved June 28, 2012 reducing the grant to a potential total of \$208,000 with an extended program end date of December 31, 2013 to be used to provide dental clinic services. A total of \$16,179 has been received for dental clinic services as of June 30, 2013.

On April 26, 2012, the Organization received a grant award notification in the amount of \$30,000 from the United Way of Central Maryland, Inc. (UWCM) for the period July 1, 2012 to June 30, 2013. Any funds not expended by the end of the term shall be returned to UWCM. As of June 30, 2013, the Organization expended \$8,929 of the funds received and the unexpended funds of \$21,071 are reflected as a part of temporarily restricted net assets. The Organization has received approval to use these unexpended funds subsequent to June 30, 2013 rather than return them to UWCM as per the terms of the grant agreement.

ACCESS CARROLL, INC.

Notes to Financial Statements (Continued)

June 30, 2013

NOTE 5 – RESTRICTIONS ON NET ASSETS

The restrictions on net assets as of June 30, 2013 are related to funds received under the capital campaign and a grant for family dental care.

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

Capital Campaign	\$ 15,443
United Way of Central Maryland, Inc. Family Dental Care	<u>21,071</u>
Total temporarily restricted net assets	<u>\$ 36,514</u>

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	\$1,208,173
United Way of Central Maryland, Inc. Family Dental Care	<u>8,929</u>
Total net assets released	<u>\$ 1,217,102</u>

NOTE 6 – DATE OF MANAGEMENT’S REVIEW

Management has evaluated subsequent events through November 14, 2013 the date that the financial statements were available to be issued.

NOTE 7 – LEASE COMMITMENTS

The Organization conducted its operations from a leased facility for the period of July 1, 2012 through November 30, 2012. The Organization entered into a non-cancelable 5 year operating lease commencing September 1, 2004 and expiring August 31, 2009. The monthly rent expenses increase 3% per annum. The tenant has the option to renew the lease for an additional five year period. The Organization executed a lease renewal and first amendment for a period of one year commencing September 1, 2009 and ending October 31, 2010 at a rate of \$2,645 per month. The organization executed a second amendment for the period of November 1, 2010 to April 30, 2011 at a rate of \$2,750 per month. The Organization executed a third amendment for the period May 1, 2011 to October 31, 2011 at a rate of \$2,750 per month. The Organization executed a fourth amendment for the period November 1, 2011 to April 30, 2012 at a rate of \$2,850 per month. The Organization executed a fifth amendment for the period May 1, 2012 to October 31, 2012 at a rate of \$2,850 per month. The lease has been extended on a month to month basis at \$2,850 per month. The rent paid and security deposit written off during the year ended June 30, 2013 was \$16,531.

ACCESS CARROLL, INC.

Notes to Financial Statements (Continued)

June 30, 2013

NOTE 7 – LEASE COMMITMENTS (Continued)

The Organization leased a copier for a five year period commencing March 2012 and ending March 2017. The lease is recorded as a capital lease for financial statement purposes. The capitalized cost included in Equipment is \$18,000 and accumulated depreciation as of June 30, 2013 is \$4,200. The lease stipulates a monthly payment of \$328. The copier is being depreciated over five years on a straight-line basis. Depreciation expense of the copier amounts to \$3,600 for the year ended June 30, 2013.

Future minimum lease payments under the capital lease as of June 30, 2013 are as follows:

<u>Year ended June 30,</u>	<u>Amount</u>
2014	\$3,600
2015	3,600
2016	3,600
2017	<u>3,000</u>
	13,800
Less – amount representing interest	<u>(1,289)</u>
Net amount	<u>\$12,511</u>

The Organization entered into a lease agreement dated July 8, 2011 (Distillery Building) with the County Commissioners of Carroll County, Maryland beginning July 1, 2011 and ending in seventeen (17) years. The Organization may renew the lease for one extended term of five years. No rent is to be paid during the initial 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.