

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

***FINANCIAL STATEMENTS
Year Ended December 31, 2016***

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

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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., which comprise the statement of financial position as of December 31, 2016, 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 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)

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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, 2016, 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 17, 2017

FINANCIAL STATEMENTS

SMITH MEDICAL CLINIC, INC.
STATEMENT OF FINANCIAL POSITION

December 31, 2016

	Unrestricted	Temporarily Restricted	2016 Totals
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents (Notes 1 and 3)	\$ 224,411	\$ -	\$ 224,411
Short-term investments (Notes 1 and 3)	214,505	-	214,505
Construction in progress (Note 4)	614,467	-	614,467
Total current assets	1,053,383	-	1,053,383
PROPERTY AND EQUIPMENT, net of accumulated depreciation (Note 5)	60,700	-	60,700
TOTAL ASSETS	\$ 1,114,083	\$ -	\$ 1,114,083
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable and other accrued expenses	\$ 248,949	\$ -	\$ 248,949
Payroll tax liabilities	254	-	254
TOTAL CURRENT LIABILITIES	249,203	-	249,203
NET ASSETS (Notes 8 and 9)	864,880	-	864,880
TOTAL LIABILITIES AND NET ASSETS	\$ 1,114,083	\$ -	\$ 1,114,083

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

SMITH MEDICAL CLINIC, INC.
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2016

	Unrestricted	Temporarily Restricted	2016 Totals
REVENUES			
Contributions	\$ 194,107	\$ 188,183	\$ 382,290
Grants	143,889	-	143,889
Contributed services (Notes 1 and 7)	584,135	-	584,135
Contributed facilities usage (Notes 1, 5 and 7)	50,068	-	50,068
Fundraising	165,158	-	165,158
Less: fundraising costs	(9,714)	-	(9,714)
Interest income	1,688	-	1,688
	1,129,331	188,183	1,317,514
NET ASSETS RELEASED FROM RESTRICTIONS (Note 8)	479,183	(479,183)	-
TOTAL REVENUES	1,608,514	(291,000)	1,317,514
EXPENSES			
PROGRAM SERVICES			
Medical clinic	935,250	-	935,250
Pharmacy	6,634	-	6,634
Total program services expenses	941,884	-	941,884
SUPPORT SERVICES			
Management and general	242,364	-	242,364
Total support services expenses	242,364	-	242,364
TOTAL EXPENSES	1,184,248	-	1,184,248
CHANGE IN NET ASSETS	424,266	(291,000)	133,266
Net assets, at beginning of year	440,614	291,000	731,614
NET ASSETS, AT END OF YEAR	\$ 864,880	\$ -	\$ 864,880

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

SMITH MEDICAL CLINIC, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2016

	PROGRAM SERVICES			Total	SUPPORT SERVICES Management and General	Memorandum Only Totals
	Medical Clinic	Pharmacy				
Personnel:						
Salaries	\$ 160,201	\$ 5,351	\$ 165,552	\$ 162,300	\$ 327,852	
Contributed services (Note 7)						
Physicians and specialists	341,160	-	341,160	-	341,160	
Nursing	108,815	-	108,815	-	108,815	
Counselors, dieticians, and other providers	14,860	-	14,860	-	14,860	
Professional administrative staff	119,300	-	119,300	-	119,300	
Payroll taxes	15,913	532	16,445	16,122	32,567	
Total personnel	760,249	5,883	766,132	178,422	944,554	
Medical supplies	43,520	-	43,520	-	43,520	
Pharmaceutical supplies	6,864	-	6,864	-	6,864	
Specialty healthcare programs	51,038	-	51,038	-	51,038	
Background checks	1,285	-	1,285	-	1,285	
Continuing education	3,199	-	3,199	-	3,199	
Dues	1,448	-	1,448	-	1,448	
Depreciation (Note 5)	8,881	238	9,119	1,719	10,838	
Hazardous waste disposal	2,904	-	2,904	-	2,904	
Insurance	2,333	-	2,333	3,507	5,840	
Legal, accounting and other professional services	-	-	-	3,750	3,750	
Licenses, permits and fees	-	-	-	3,242	3,242	
Occupancy - contributed facilities (Notes 5 and 7)	43,054	-	43,054	7,014	50,068	
Office supplies	-	-	-	25,507	25,507	
Pest control	-	-	-	75	75	
Postage	-	-	-	2,376	2,376	
Repairs and maintenance	-	-	-	7,930	7,930	
Security	-	-	-	400	400	
Telephone	-	-	-	7,857	7,857	
Utilities	4,054	513	4,567	565	5,132	
Volunteer training recognition	6,421	-	6,421	-	6,421	
TOTAL FUNCTIONAL EXPENSES	\$ 935,250	\$ 6,634	\$ 941,884	\$ 242,364	\$ 1,184,248	

*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, 2016

	Unrestricted	Temporarily Restricted	2016 Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Change in net assets	\$ 424,266	\$ (291,000)	\$ 133,266
Adjustments to reconcile change in net assets to net cash and cash equivalents provided (used) by operating activities:			
Depreciation	10,838	-	10,838
Interest earnings added to principal of short-term investments	(1,068)	-	(1,068)
Increase (decrease) in:			
Accounts payable and other accrued expenses	240,355	-	240,355
Payroll tax liabilities	(10,952)	-	(10,952)
NET CASH AND CASH EQUIVALENTS PROVIDED (USED) BY OPERATING ACTIVITIES	663,439	(291,000)	372,439
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property and equipment	(11,139)	-	(11,139)
Construction in progress	(614,467)	-	(614,467)
Purchase of short-term investments	(50,000)	-	(50,000)
NET CASH AND CASH EQUIVALENTS PROVIDED (USED) BY INVESTING ACTIVITIES	(675,606)	-	(675,606)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS			
	(12,167)	(291,000)	(303,167)
CASH AND CASH EQUIVALENTS, at beginning of year	236,578	291,000	527,578
CASH AND CASH EQUIVALENTS, AT END OF YEAR	\$ 224,411	\$ -	\$ 224,411

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

NOTES TO FINANCIAL STATEMENTS

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 accounts, 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. 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, 2016, the Clinic had not received any contributions, grants or donations resulting in permanently restricted net assets.

Contributed Facilities and Services:

The Clinic occupies, 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.

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, with balances on deposit at the financial institutions, to be insured under the provisions of the Federal Deposit Insurance Corporation (FDIC).

Geographic – The Clinic is engaged in a single industry in a single location. 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 17, 2017, the date that the financial statements were available to be issued. The Clinic is not aware of any subsequent events, except as disclosed in Note 4, that require recognition or disclosure in the financial statements.

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

At December 31, 2016, the Clinic's cash, cash equivalents and short-term balances were fully insured under the FDIC provisions.

NOTE 4. CONSTRUCTION IN PROGRESS

During 2016, the Clinic began construction of a new building to be used to house the medical facility and administrative offices. The Clinic entered into a signed agreement, totaling \$663,531, with a contractor to complete the construction. At December 31, 2016, the construction was substantially completed. Subsequent to December 31, 2016, the Clinic was occupied and placed into service.

At December 31, 2016, the Clinic's construction in progress totaled \$614,467.

NOTE 5. PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2016 consisted of the following:

Leasehold improvements:	\$ 53,529
Medical building renovation	12,365
Roof refurbishment	60,947
Medical equipment	<u>21,200</u>
Office equipment	148,041
	<u>(87,341)</u>
Less accumulated depreciation	<u>\$ 60,700</u>

Depreciation expense totaled \$10,838 during 2016.

SMITH MEDICAL CLINIC, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 6. INCOME TAXES

The Clinic qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and, therefore, no provisions for income taxes has been provided for 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 2013 are generally no longer open to possible examination.

NOTE 7. CONTRIBUTED FACILITIES AND SERVICES

The Clinic occupies, without charge, office space in facilities owned by Holy Cross Faith Memorial Episcopal Church, an associated nonprofit organization. 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 values, totaling \$12,500 and \$15,000, respectively, are shown as contributed facilities support with corresponding contributed occupancy expenses on the Clinic's Statement of Activities and Statement of Functional Expenses in the period in which the premises are used.

During a prior year, 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 is shown as contributed facilities support with a corresponding contributed expense on the Clinic's Statement of Activities and Statement of Functional Expenses. (See also Note 4).

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, 2016, the monetary values as determined and calculated by management are as follows:

Physicians and specialists	\$341,160
Nursing staff	108,815
Counselors, dietitians, and other providers	14,860
Professional administrative staff	<u>119,300</u>
Total	<u>\$584,135</u>

SMITH MEDICAL CLINIC, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 8. TEMPORARILY RESTRICTED NET ASSETS

Net assets released from restrictions during the year ended December 31, 2016 by incurring expenses satisfying the purposes specified by the donors and grantors totaled \$479,183. This amount consisted of specific program expenses related primarily to various healthcare programs, which are included in the Clinic's Statement of Activities and Statement of Functional Expenses and the construction of the new building.

There were no temporarily restricted net assets at December 31, 2016.

NOTE 9. INTERNALLY RESTRICTED NET ASSETS

Net assets internally restricted for the Building Fund consisted of amounts allocated from unrestricted net assets, as approved by the Board of Directors. The internally restricted amounts were to be used for development and construction of the new clinic building, and were not available for other purposes without approval by the Board of Directors. At December 31, 2016, the Board of Directors elected to release the previously held restriction of \$118,500, as the new clinic building was substantially completed. (See Note 4).