



**ABCCM Doctors' Medical Clinic, Inc.
Financial Statements
December 31, 2023 and 2022**

ABCCM Doctors' Medical Clinic, Inc.

Table of Contents

December 31, 2023 and 2022

Independent Auditor's 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 Financial Statements	7 – 13



Independent Auditor's Report

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

Prager Metis CPAs, PLLC

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Opinion

We have audited the accompanying financial statements of the ABCCM Doctors' Medical Clinic, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2023, and the related statements of activities, functional expenses, 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 the ABCCM Doctors' Medical Clinic, Inc. as of December 31, 2023, 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 the ABCCM Doctors' 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.

Prior Period Financial Statements

The financial statements of ABCCM Doctors' Medical Clinic, Inc. as of December 31, 2022, were audited by Goldsmith Molis & Gray, PLLC, whose assets were acquired by Prager Metis CPAs, LLC as of January 1, 2024, whose report dated May 9, 2023, expressed an unmodified opinion on those statements.

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 the ABCCM Doctors' 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 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 the ABCCM Doctors' 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 the ABCCM Doctors' 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.

Prager Metis CPAs, PLLC

Prager Metis CPAs, PLLC
Asheville, North Carolina
June 13, 2024

ABCCM Doctors' Medical Clinic, Inc.
 Statements of Financial Position
 December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Assets		
Current assets		
Cash	\$ 465,950	\$ 447,945
Certificates of deposit	56,856	66,820
Inventory	1,764,463	1,655,805
Grant receivable	10,001	12,046
Other receivables	1,470	1,616
Prepaid expenses	19,072	16,436
Total current assets	<u>2,317,812</u>	<u>2,200,668</u>
Other assets		
Operating lease right-of-use asset	<u>32,041</u>	<u>39,393</u>
Total assets	<u><u>\$ 2,349,853</u></u>	<u><u>\$ 2,240,061</u></u>
Liabilities and net assets		
Liabilities		
Current liabilities		
Accounts payable and accrued expenses	\$ 91,185	\$ 77,641
Current portion operating lease liability	7,826	7,353
Total current liabilities	<u>99,011</u>	<u>84,994</u>
Long-term liabilities		
Operating lease liability, net of current portion	<u>24,215</u>	<u>32,040</u>
Total liabilities	<u>123,226</u>	<u>117,034</u>
Net assets		
Without donor restrictions	<u>2,226,627</u>	<u>2,123,027</u>
Total net assets	<u>2,226,627</u>	<u>2,123,027</u>
Total liabilities and net assets	<u><u>\$ 2,349,853</u></u>	<u><u>\$ 2,240,061</u></u>

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

ABCCM Doctors' Medical Clinic, Inc.
Statements of Activities
Years Ended December 31, 2023 and 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, gains and other support						
In-kind contributions	\$ 5,318,797	\$ -	\$ 5,318,797	\$ 4,567,378	\$ -	\$ 4,567,378
Member contributions	1,197,000	-	1,197,000	767,500	-	767,500
Non-member contributions	5,000	-	5,000	5,000	-	5,000
Grant income	97,830	110,931	208,761	335,000	129,570	464,570
Interest income	1,064	-	1,064	197	-	197
Other income	2,190	-	2,190	1,940	-	1,940
Total revenue, gains and other support	<u>6,621,881</u>	<u>110,931</u>	<u>6,732,812</u>	<u>5,677,015</u>	<u>129,570</u>	<u>5,806,585</u>
Net assets released from restrictions	<u>110,931</u>	<u>(110,931)</u>	<u>-</u>	<u>209,570</u>	<u>(209,570)</u>	<u>-</u>
Total revenue, gains and other support	<u>6,732,812</u>	<u>-</u>	<u>6,732,812</u>	<u>5,886,585</u>	<u>(80,000)</u>	<u>5,806,585</u>
Expenses						
Program services	6,338,821	-	6,338,821	6,388,840	-	6,388,840
Management and general	290,391	-	290,391	245,565	-	245,565
Total expenses	<u>6,629,212</u>	<u>-</u>	<u>6,629,212</u>	<u>6,634,405</u>	<u>-</u>	<u>6,634,405</u>
Change in net assets	103,600	-	103,600	(747,820)	(80,000)	(827,820)
Net assets, beginning of year	<u>2,123,027</u>	<u>-</u>	<u>2,123,027</u>	<u>2,870,847</u>	<u>80,000</u>	<u>2,950,847</u>
Net assets, end of year	<u>\$ 2,226,627</u>	<u>\$ -</u>	<u>\$ 2,226,627</u>	<u>\$ 2,123,027</u>	<u>\$ -</u>	<u>\$ 2,123,027</u>

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

ABCCM Doctors' Medical Clinic, Inc.
Statements of Functional Expenses
Years Ended December 31, 2023 and 2022

	2023			2022		
	Program Services	Management and General	Total	Program Services	Management and General	Total
Administrative fee	\$ -	\$ 37,500	\$ 37,500	\$ -	\$ 37,500	\$ 37,500
Contract labor	954,496	241,512	1,196,008	832,806	199,710	1,032,516
Total personnel and related expenses	954,496	279,012	1,233,508	832,806	237,210	1,070,016
Pharmacy expense	4,388,764	-	4,388,764	4,655,840	-	4,655,840
Contributed services-volunteers	699,905	-	699,905	628,062	-	628,062
Donated facility usage	150,000	-	150,000	150,000	-	150,000
Medical expense	16,668	-	16,668	16,283	-	16,283
Office supplies and computer expense	69,580	-	69,580	56,392	-	56,392
Insurance	14,473	618	15,091	12,518	650	13,168
Utilities	11,002	-	11,002	10,289	-	10,289
Dental expense	329	-	329	-	-	-
Professional fees	-	8,785	8,785	-	6,700	6,700
Telephone	11,515	-	11,515	11,387	-	11,387
Repairs and maintenance	11,207	-	11,207	6,911	-	6,911
Housekeeping	1,400	-	1,400	1,681	-	1,681
Dues and licenses	8,632	-	8,632	5,944	-	5,944
Postage and mailing	133	-	133	667	-	667
Conferences and seminars	-	200	200	-	110	110
Travel	-	410	410	-	-	-
Volunteer recognition	-	548	548	-	324	324
Finance charges	-	494	494	-	537	537
Meals	-	324	324	-	34	34
Miscellaneous	717	-	717	60	-	60
Total expenses	\$ 6,338,821	\$ 290,391	\$ 6,629,212	\$ 6,388,840	\$ 245,565	\$ 6,634,405

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

ABCCM Doctors' Medical Clinic, Inc.

Statements of Cash Flows

Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities		
Change in net assets	\$ 103,600	\$ (827,820)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Amortization of operating lease right-of-use asset	7,353	(39,393)
Change in operating assets and liabilities		
Inventory	(108,658)	839,816
Grant receivable	2,045	(3,809)
Other receivables	146	(449)
Prepaid expenses	(2,636)	152
Accounts payable and accrued expenses	13,544	10,396
Operating lease liability	(7,353)	39,393
Net cash provided by operating activities	<u>8,041</u>	<u>18,286</u>
Cash flows from investing activities		
Proceeds from sale of certificates of deposit	66,738	55,522
Purchase of certificates of deposit	(56,774)	(55,719)
Net cash provided by (used in) investing activities	<u>9,964</u>	<u>(197)</u>
Change in cash	18,005	18,089
Cash, beginning of year	<u>447,945</u>	<u>429,856</u>
Cash, end of year	<u>\$ 465,950</u>	<u>\$ 447,945</u>
Non-cash investing and financing activities		
Lease liabilities arising from obtaining right-of-use assets	<u>\$ -</u>	<u>\$ 41,161</u>

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

Note 1 Nature of Operations

ABCCM Doctors' Medical Clinic, Inc. (the "Clinic") is a nonprofit entity whose sole member is Asheville-Buncombe Community Christian Ministry, Inc. ("ABCCM"). 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.

Note 2 Summary of Significant Accounting Policies

Basis of Accounting

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

Financial Statement Presentation

The financial statements of the Clinic have been prepared in accordance with GAAP, 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.

Use of Estimates

Preparation of financial statements in accordance with GAAP 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.

Note 2 Summary of Significant Accounting Policies (continued)

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 deposit 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 depository accounts. Deposit accounts, at times, may exceed federally insured limits; however, the Clinic has not suffered any such losses as of December 31, 2023 and 2022.

Inventory

Inventory is composed of pharmaceuticals purchased by and donated to the Clinic and are stated at fair value. 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.

Revenue Recognition

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.

In-kind Contributions

The Clinic's policy related to in-kind contributions is to utilize the assets given to carry out their mission. 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.

Note 2 Summary of Significant Accounting Policies (continued)

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.

Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 740, *Accounting for Uncertainty in Income Taxes*, clarified 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.

As of December 31, 2023 and 2022, the Clinic had no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. The Clinic records interest and penalties related to uncertain tax positions as a component of other expenses.

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, 2023, years subject to examination are 2020, 2021, and 2022.

Leases

The Clinic determines if an arrangement is a lease, or contains a lease, at inception and only reassesses its determination if the terms and conditions of the arrangement are changed. The Clinic is a lessee in connection with a noncancelable lease for office equipment. The Clinic follows ASC 842, *Leases*. For operating leases, the Clinic recognizes a lease liability and a right-of-use (ROU) asset at the commencement date of the lease. The lease liability is initially and subsequently recognized based on the present value of its future lease payments. The discount rate is the implicit rate in the lease, if it is readily determinable, otherwise the Clinic uses its risk-free borrowing rate. Lease expense for lease payments are recognized on a straight-line basis over the lease term.

Variable payments that are not determinable at lease commencement are not included in the measurement of ROU asset and operating lease liability. The Clinic does not recognize ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less at lease commencement, with lease expense for these leases recognized on a straight-line basis over the lease term. In addition, it is the Clinic's accounting policy to not separate lease and non-lease components.

Note 2 Summary of Significant Accounting Policies (continued)

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.

Note 3 Certificates of Deposit

Certificates of deposit with an original maturity in excess of three months are valued at cost plus accrued interest. The interest rates range from 1.82% to 3.56% with maturity dates from January 31, 2024 to April 8, 2024.

At December 31, 2023 and 2022, the Clinic had certificates of deposit totaling \$56,856 and \$66,820, respectively. Interest income for the years ended December 31, 2023 and 2022 totaled \$1,064 and \$197, respectively.

Note 4 Inventory

At December 31, 2023 and 2022, the Clinic had inventory composed of pharmaceuticals totaling \$1,764,463 and \$1,655,805, respectively.

Note 5 Leases

The Clinic had an operating lease for copier equipment at a rate of \$657 per month. This lease expired in September 2022.

In September 2022, the Clinic entered into another operating lease for copier equipment at a rate of \$796 per month through September 2027, with no renewal option. An additional fee is charged quarterly for any excess images and is expensed as incurred. The Clinic used its incremental borrowing rate at lease inception in determining the present value of lease payments.

Total copier lease expense was \$9,557 and \$8,301, for the years ended December 31, 2023 and 2022, respectively, and is included as a component of office supplies and computer expenses on the statements of functional expenses.

ABCCM Doctors' Medical Clinic, Inc.

Notes to Financial Statements

December 31, 2023 and 2022

Note 5 Leases (continued)

Maturities of operating lease liabilities are as follows:

<u>Year</u>	<u>Amount</u>
2024	\$ 9,557
2025	9,557
2026	9,557
2027	<u>7,167</u>
Total lease payments	35,838
Less: imputed interest	<u>(3,797)</u>
Present value of lease liabilities	<u>\$ 32,041</u>

During the years ended December 31, 2023 and 2022, operating cash flows for operating leases totaled \$9,557 and \$8,301, respectively. At December 31, 2023, the weighted average of the remaining lease term of the Clinic's operating leases is 3.75 years, while the weighted average discount rate is 6.25%. At December 31, 2022, the weighted average of the remaining lease term of the Clinic's operating leases is 4.75 years, while the weighted average discount rate is 6.25%.

Note 6 Net Assets

Net assets without donor restrictions at December 31, 2023 and 2022 were \$2,226,627 and \$2,123,027, respectively.

There are no net assets with donor restrictions for the purpose of program activities at December 31, 2023 and 2022.

Net assets released from net assets with donor restrictions resulting from the satisfaction of purpose restrictions for program activities totaled \$110,931 and \$209,570 for the years ended December 31, 2023 and 2022, 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 \$300,760 and \$287,979 as of December 31, 2023 and 2022, respectively.

ABCCM Doctors' Medical Clinic, Inc.

Notes to Financial Statements

December 31, 2023 and 2022

Note 7 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 \$699,905 and \$628,062 (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, 2023 and 2022, respectively.

Contributed pharmaceuticals of \$4,468,892 and \$3,789,316 have been included in the financial statements as in-kind contributions, and as inventory and pharmacy expense for the years ended December 31, 2023 and 2022, respectively.

The Clinic operates in a facility owned by its member, ABCCM. The estimated fair retail value of the donated facility for the years ended December 31, 2023 and 2022 was \$96,000 and \$96,000, 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 each of the years ended December 31, 2023 and 2022 was \$54,000 and is reported as both in-kind contributions and donated facility usage expense in the financial statements.

Note 8 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>2023</u>	<u>2022</u>
Member contributions		
Asheville-Buncombe Community Christian Ministry, Inc.	\$ 1,197,000	\$ 767,500
In-kind contributions		
Use of facilities owned by member (see note 7)	<u>96,000</u>	<u>96,000</u>
	<u>\$ 1,293,000</u>	<u>\$ 863,500</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 \$1,191,197 and \$1,028,093 in personnel service expense and \$37,500 and \$37,500 as an administrative fee under this agreement, for the years ended December 31, 2023 and 2022, respectively.

ABCCM Doctors' Medical Clinic, Inc.

Notes to Financial Statements

December 31, 2023 and 2022

Note 9 Availability and Liquidity

The Clinic's financial assets available at December 31, 2023 and 2022 within one year of the statement of financial position date for general expenditures are as follows:

	<u>2023</u>	<u>2022</u>
Cash	\$ 465,950	\$ 447,945
Certificates of deposit	56,856	66,820
Grant receivable	10,001	12,046
Other receivables	<u>1,470</u>	<u>1,616</u>
Total financial assets	534,277	528,427
Board designation for liquidity reserve (see note 6)	<u>(300,760)</u>	<u>(287,979)</u>
Total financial assets available within one year	<u>\$ 233,517</u>	<u>\$ 240,448</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 \$300,760 and \$287,979 as of December 31, 2023 and 2022, respectively. The objective of this reserve is to provide a source of funds to cover costs that are unplanned or unexpected and can be made available for current operations, if necessary.

Note 10 Subsequent Events

The Clinic evaluated the effect that all subsequent events would have on the financial statements through June 13, 2024, which is the date the financial statements were available to be issued.