# WESTERN CAROLINA MEDICAL SOCIETY ASSOCIATION

INDEPENDENT AUDITORS' REPORT AND FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015



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#### INDEPENDENT AUDITORS' REPORT

To the Board of Directors Western Carolina Medical Society Association Asheville, North Carolina

We have audited the accompanying financial statements of Western Carolina Medical Society Association (a nonprofit organization), which comprise the statement of financial position as of December 31, 2015, and the related statements of activities 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.

#### Auditors' 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 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.

#### <u>Opinion</u>

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Western Carolina Medical Society Association, as of December 31, 2015, and the results of 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.

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#### Report on Summarized Comparative Information

We have previously audited the Western Carolina Medical Society Association's 2014 financial statements, and our report dated August 26, 2015, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Carliss & Salaman, PLLC

Asheville, North Carolina August 11, 2016

### Statement of Financial Position

As of December 31, 2015

(With summarized comparative totals as of December 31, 2014)

		2015		2014	
<u>Assets</u>					
<u>Current Assets</u> Cash and Equivalents	\$	115,157	\$	69,115	
Due From WCMS Foundation	Ψ	54,748	Ψ	51,352	
Accounts Receivable		13,093		8,215	
Prepaid Expenses		8,858		6,157	
Total Current Assets		191,856		134,839	
Long-Term Assets					
Investments		$51,\!253$		51,939	
Property and Equipment, Net		263,280		273,383	
Total Long-Term Assets		314,533		325,322	
Total Assets	<u>\$</u>	506,389	\$	460,161	
Liabilities and Net A	ssets				
<u>Current Liabilities</u>					
Accounts Payable	\$	$14,\!337$	\$	$8,\!279$	
Accrued Salaries		20,410		16,971	
Payroll Related Liabilities		1,023		2,221	
Deferred Membership Dues		143,775		108,625	
Other Deferred Revenue		6,550		-	
Note Payable, Current Portion		28,259	-	27,234	
Total Current Liabilities		214,354	-	163,330	
Long-Term Liabilities				440 =00	
Note Payable, Long-Term Portion		88,603		116,789	
Total Long-Term Liabilities		88,603		116,789	
Total Liabilities		302,957		280,119	
<u>Unrestricted Net Assets</u>					
Available for Operations		57,014		$50,\!682$	
Investment in Property and Equipment, Net		146,418		129,360	
Total Unrestricted Net Assets		203,432		180,042	
Total Liabilities and Net Assets	<u>\$</u>	506,389	<u>\$</u>	460,161	

### Statement of Activities

Year Ended December 31, 2015

(With summarized comparative totals for the prior year)

	2015	2014	
<u>Unrestricted Revenue</u>	-		
Membership Dues	\$ 168,573	\$ 173,825	
Sponsorships	31,250	30,839	
Advertising Income	25,432	$22,\!577$	
Physician Directory Sales	16,626	14,895	
Rental Income	53,820	58,350	
Conference Registrations	625	1,550	
Interest Income	1,356	1,762	
Investment Gains/(Losses)	(1,903)	1,940	
Other Income	10,928	12,386	
Total Unrestricted Revenue	306,707	318,124	
Expenses			
Salaries and Benefits	161,727	178,663	
Contract Labor	2,316	5,117	
Depreciation	11,283	11,288	
Dues and Subscriptions	1,189	1,723	
Equipment Lease Expense	4,554	3,034	
Information Technology and Website	4,394	3,357	
Insurance	3,955	3,934	
Interest Expense	4,939	5,903	
Maintenance and Repairs	3,183	2,701	
Marketing and Advertising	7,089	6,361	
Meetings, Conferences and Travel			
Administrative	2,220	4,401	
Legislative Advocacy	640	1,920	
Membership Events and Meetings	15,217	11,993	
Physician Education and Forums	12,321	2,013	
Occupancy	20,159		
Office Supplies	3,264		
Other Expenses	4,106	3,817	
Postage, Printing and Reproduction	9,696	6,615	
Professional Services	11,065	11,648	
Total Expenses	283,317	290,805	
Change in Unrestricted Net Assets	23,390	27,319	
Unrestricted Net Assets, Beginning of Year	180,042	152,723	
Unrestricted Net Assets, End of Year	\$ 203,432	\$ 180,042	

### Statement of Cash Flows

### Year Ended December 31, 2015

(With summarized comparative totals for the prior year)

		2015	2014	
Cash Flows from Operating Activities Change in Net Assets	\$	23,390	\$	27,319
Adjustments to reconcile change in net assets to net cash provided or (used) by operating activities:				
Depreciation		11,283		11,288
Investment (Gains)/Losses		1,903		(1,940)
Interest Income Reinvested		(1,218)		(1,623)
(Increase)/Decrease in Operating Assets				
Due from WCMS Foundation		(3,396)		(38,829)
Accounts Receivable		(4,878)		(97)
Prepaid Expenses		(2,701)		(1,733)
Increase/(Decrease) in Operating Liabilities				
Accounts Payable		6,058		385
Accrued Salaries		3,439		6,400
Payroll Related Liabilities		(1,198)		1,550
Deferred Membership Dues		$35,\!150$		5,567
Other Deferred Revenue		$6,\!550$		(7,170)
Deposits Held			-	(700)
Net Cash Provided by Operating Activities		74,382	-	417
Cash Flows from Investing Activities				
Purchase of Equipment		(1,180)		_
Net Cash Used by Investing Activities		(1,180)		_
Cash Flows from Financing Activities				
Principal Payments on Note Payable		(27,160)		(26,198)
Net Cash Used by Financing Activities		(27,160)		(26,198)
Net Change in Cash and Equivalents		46,042	-	(25,781)
Cash and Equivalents, Beginning of Year		69,115		94,896
Cash and Equivalents, End of Year	<u>\$</u>	115,157	\$	69,115
Supplemental Cash Flow Information				
Cash Paid for Interest	<u>\$</u>	4,939	\$	5,903

### Notes to Financial Statements

Year Ended December 31, 2015

#### 1. <u>Description of Organization and Summary of Significant Accounting Policies</u>

#### <u>Description of the Organization</u>

Western Carolina Medical Society Association (Association) is a professional membership association of physicians in western North Carolina. While historically based in Buncombe County, the Association has been actively extending its membership to other counties in recent years. It is a chartered component medical society of the North Carolina Medical Society and the American Medical Association. The Association works to further the professional interests of its members and to improve conditions for the practice of medicine in the region. The mission of the Association is to be the physician's voice advocating for the health of the medical profession, the health of the patient, and the health of the community through strengthening the physician-patient relationship. The Association is supported primarily by physician membership dues.

#### Corporate and Tax-Exempt Status

The Association is a not-for-profit corporation under the laws of the state of North Carolina and has been recognized as tax-exempt pursuant to Section 501(c)(6) of the Internal Revenue Code.

#### Basis of Accounting

The accompanying basic financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

#### Financial Statement Presentation

U.S. GAAP establishes standards for external financial reporting by not-for-profit organizations and requires that resources be classified for accounting and reporting purposes into three classes of net assets -- Unrestricted, Temporarily Restricted, or Permanently Restricted -- according to the existence of externally imposed restrictions. All of the Association's net assets are unrestricted.

#### Cash and Equivalents

For purposes of reporting on the statement of cash flows, the Association considers all highly liquid investments purchased with an initial maturity of three months or less to be cash equivalents. Cash held by investment firms is not considered cash equivalents.

#### *Investments*

Investments in marketable securities with readily determinable fair market values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized and realized gains and losses are included in the change in net assets in the statement of activities.

#### Membership Dues

Membership dues are recognized in income in the calendar year to which the membership applies. Dues collected in advance of the membership year are recorded as deferred revenue.

#### **Property and Equipment**

Property and equipment acquisitions over \$500 per item are capitalized at cost. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method.

#### Fair Value Measurements

The Association follows FASB ASC 820-10 "Fair Value Measurements." This standard establishes a single definition of fair value and a framework for measuring fair value in U.S. GAAP. The standard also expands disclosures about fair value measurements. Fair value is defined as "the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. That is, fair value is based on an exit price, which may differ from the price paid to acquire the asset. If there is a principal market for the asset, fair value represents the price in that market." Items carried at fair value on a recurring basis by the Association consist primarily of investments held at a brokerage firm.

#### Income Taxes/Uncertain Tax Positions

The Association is exempt from federal income taxes under 501(c)(6) of the Internal Revenue Code. Under the Code, however, income from certain activities not related to the Association's tax-exempt purpose may be subject to taxation as unrelated business income. The Association believes that it has appropriate support for tax positions taken on its 2015 Exempt Organization Business Income Tax Return (Form 990-T), and otherwise, and as such, does not have any uncertain tax positions that are material to the financial statements.

#### **Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

#### 2. Investments

Investments consist of the following components:

As of December 31:	2015	2014		
Money Funds	\$ 23,496	\$	22,960	
Stocks	27,757		28,979	
Total Investments	\$ 51,253	\$	51,939	

#### 3. Property and Equipment

Property and Equipment consists of the following:

As of December 31:		2015	2014		
Building, Land and Improvements	\$	464,830	\$	464,830	
Less: Accumulated Depreciation		(202,769)		(191,534)	
Building, Land and Improvements, Net	t 262,061		273,290		
Equipment, Furniture and Fixtures		13,149		13,510	
Less: Accumulated Depreciation		(11,930)		(13,423)	
Equipment, Furniture and Fixtures, Net		1,219		87	
Total Property and Equipment, Net	\$	263,280	\$	273,383	

#### 4. Note Payable

Note payable consists of the following:

Mortgage note with a bank. Terms call for 84 monthly payments of \$2,675, with interest at 3.70%. Secured by deed of trust on its office facility which had a carrying amount of \$262,061. Maturity date is December 4, 2019. \$ 116,862 Less: Current Portion (28,259)Long-Term Portion \$ 88,603 Maturities on long-term debt for the years ending December 31: 2016 \$ 28,259 2017 29,322 2018 30,426 2019 28,855 Thereafter Total 116,862

#### 5. Leases

The Association maintains two operating leases for office equipment. Required lease payments for the remainder of the lease terms are as follows:

Years Ending December 31:	
2016	\$ 3,757
2017	 3,757
Total	\$ 7,514

The Association also leases space in its office building to three tenants, generally on one-year lease terms. Lessees include one related organization - the Foundation (See Note 6). The Association's total rental income for the years ended December 31, 2015 and 2014 was \$53,820 and \$58,350, respectively.

#### 6. Related Organizations

The Association is affiliated with the following organizations:

#### Western Carolina Medical Society Foundation (Foundation)

The Foundation is a 501(c)(3) nonprofit organization formed in 1885 to improve access to healthcare in Buncombe County. The Foundation is governed by its own Board of Directors separate from that of the Association. The Association shares personnel and facilities with the Foundation. Personnel working on Foundation activities are employees of the Association. There are formal contract agreements between the two organizations for each shared employee and for other shared costs. The Association bills the Foundation on a monthly basis for personnel, occupancy and administrative costs attributable to the Foundation. For the year ended December 31, 2015, the Association invoiced \$631,852 to the Foundation for these services, and as of December 31, 2015, the Association had \$54,748 due from the Foundation for the services. The contract terms are such that receipts and disbursements are not

recognized in the Association's income or expenses and are, therefore, not reflected on the statement of activities.

#### Buncombe County Medical Society Physician Advocacy Committee (BCMS PAC)

The BCMS PAC is a voluntary, nonprofit, unincorporated state political action committee working to foster a better understanding among elected officials of the key issues affecting physicians and healthcare today. There was no activity for this organization in 2015.

#### 7. Fair Value Measurements

Fair values of assets measured on a recurring basis as of December 31, 2015 are as follows:

Fair Value Manguraments at

			Fair value Measurements at					ιτ
			Reporting Date Using					
			Quoted Prices					
			In	In Active Significant				
			Markets for			her	Sigr	nificant
			Identical		Obse	rvable	Unob	servable
			Assets		In	puts	Ir	nputs
	Fai	ir Value	(Level 1)		(Le	vel 2)	(Le	evel 3)
Money Funds	\$	23,496	\$	23,496	\$	-	\$	_
Stocks		27,757		27,757		-		
Total	\$	51,253	\$	51,253	\$	-	\$	

Financial assets valued using Level 1 inputs are based on unadjusted quoted market prices within active markets.

Financial assets valued using Level 2 inputs are based primarily on quoted prices for similar assets in active or inactive markets.

Financial assets valued using Level 3 inputs include unobservable inputs such as those that apply to derivatives and split interest agreements.

#### 8. <u>Comparative Data</u>

The financial statements include certain prior year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with the organization's financial statements for the year ended December 31, 2014, from which the summarized information was derived.

#### 9. <u>Subsequent Events</u>

Subsequent events have been evaluated through August 11, 2016, which is the date the financial statements were available to be issued.