



Certified Public Accountants, LLP

AMBULATORY SURGERY ACCESS COALITION

dba OPERATION ACCESS

FINANCIAL STATEMENTS

DECEMBER 31, 2016

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Ambulatory Surgery Access Coalition
dba Operation Access

Report on the Financial Statements

We have audited the accompanying financial statements of Ambulatory Surgery Access Coalition dba Operation Access (a nonprofit organization), 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.

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 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 auditors' 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.

INDEPENDENT AUDITORS' REPORT

continued

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Ambulatory Surgery Access Coalition dba Operation Access as of December 31, 2016, 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.

Other Matter

Summarized Comparative Information

We have previously audited Ambulatory Surgery Access Coalition dba Operation Access' 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 17, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Harrington Group

San Francisco, California
March 3, 2017

AMBULATORY SURGERY ACCESS COALITION
dba OPERATION ACCESS

STATEMENT OF FINANCIAL POSITION

December 31, 2016

With comparative totals at December 31, 2015

	2016	2015
ASSETS		
Cash and cash equivalents (Note 2)	\$ 1,082,662	\$ 1,179,224
Grants receivable	510,765	263,009
Pledges receivable (Note 3)	44,290	-
Prepaid expenses	42,605	40,632
Property and equipment (Note 4)	-	-
	-	-
TOTAL ASSETS	\$ 1,680,322	\$ 1,482,865
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 10,791	\$ 15,652
Accrued liabilities (Note 5)	99,681	70,082
	110,472	85,734
TOTAL LIABILITIES	110,472	85,734
NET ASSETS		
Unrestricted	913,750	964,631
Temporarily restricted (Note 7)	656,100	432,500
	1,569,850	1,397,131
TOTAL NET ASSETS	1,569,850	1,397,131
TOTAL LIABILITIES AND NETS ASSETS	\$ 1,680,322	\$ 1,482,865

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

AMBULATORY SURGERY ACCESS COALITION
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STATEMENT OF ACTIVITIES
For the year ended December 31, 2016
With comparative totals for the year ended December 31, 2015

	Unrestricted	Temporarily Restricted	2016	2015
REVENUE AND SUPPORT				
Donated surgical and specialty services (Note 2)	\$ 19,650,000	\$ -	\$ 19,650,000	\$ 17,939,600
Contributions (Note 8)	54,192	1,399,236	1,453,428	1,228,068
Other revenues	121,500		121,500	107,084
Other donated products and services (Note 2)	68,817		68,817	69,857
Refund and other revenue			-	10,770
Interest income	641		641	745
Net assets released from restrictions	1,175,636	(1,175,636)	-	-
TOTAL REVENUE AND SUPPORT	21,070,786	223,600	21,294,386	19,356,124
EXPENSES				
Program services	20,848,914		20,848,914	19,099,809
Management and general	110,992		110,992	90,149
Fundraising	161,761		161,761	135,195
TOTAL EXPENSES	21,121,667	-	21,121,667	19,325,153
CHANGE IN NET ASSETS	(50,881)	223,600	172,719	30,971
NET ASSETS, BEGINNING OF YEAR	964,631	432,500	1,397,131	1,366,160
NET ASSETS, END OF YEAR	\$ 913,750	\$ 656,100	\$ 1,569,850	\$ 1,397,131

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

AMBULATORY SURGERY ACCESS COALITION
dba OPERATION ACCESS

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended December 31, 2016

With comparative totals for the year ended December 31, 2015

	Program Services	Management and General	Fundraising	2016	2015
Salaries and wages	\$ 681,765	\$ 64,127	\$ 106,823	\$ 852,715	\$ 764,907
Payroll taxes and fringe benefits	165,925	15,223	24,228	205,376	179,648
Total personnel expenses	847,690	79,350	131,051	1,058,091	944,555
Donated surgical and specialty services	19,650,000			19,650,000	17,939,600
Rent and utilities	86,821	6,769	10,285	103,875	100,505
Other donated products and services	65,807	900	2,110	68,817	69,857
Interpretive services	46,416			46,416	49,000
Consultants	39,336	1,271	4,929	45,536	84,336
Office supplies and equipment	27,308	2,115	3,364	32,787	33,298
Meeting and travel	16,595	1,932	1,123	19,650	19,563
Marketing and outreach	14,836		4,720	19,556	23,382
Accounting and audit fees		13,172		13,172	13,009
Professional development	9,496	3,496	117	13,109	11,676
Volunteer recognition and recruitment	12,571			12,571	6,888
Postage	8,930	670	1,028	10,628	4,430
Telephone	8,398	646	991	10,035	9,227
Insurance	6,681	520	791	7,992	7,858
Ancillary supplies and medical costs	5,975			5,975	5,237
Printing	2,054	151	1,252	3,457	2,732
TOTAL 2016 FUNCTIONAL EXPENSES	\$ 20,848,914	\$ 110,992	\$ 161,761	\$ 21,121,667	
TOTAL 2015 FUNCTIONAL EXPENSES	\$ 19,099,809	\$ 90,149	\$ 135,195		\$ 19,325,153

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

AMBULATORY SURGERY ACCESS COALITION
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STATEMENT OF CASH FLOWS

For the year ended December 31, 2016

With comparative totals for the year ended December 31, 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 172,719	\$ 30,971
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
(Increase) decrease in operating assets:		
Grants receivable	(247,756)	78,627
Pledges receivable	(44,290)	59,019
Prepaid expenses	(1,973)	(4,317)
Increase (decrease) in operating liabilities:		
Accounts payable	(4,861)	(4,126)
Accrued liabilities	29,599	15,026
	(96,562)	175,200
NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES	(96,562)	175,200
NET (DECREASE) INCREASE IN CASH	(96,562)	175,200
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,179,224	1,004,024
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 1,082,662	\$ 1,179,224

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

AMBULATORY SURGERY ACCESS COALITION dba OPERATION ACCESS

NOTES TO FINANCIAL STATEMENTS

1. **Organization**

Ambulatory Surgery Access Coalition dba Operation Access (“Operation Access”) was formed in May 1993 in the State of California with the goal of mobilizing a network of medical volunteers, hospitals, and referring community clinics to provide low-income uninsured people access to donated outpatient surgical and specialty care that improves the health, ability to work, and quality of life. Operation Access currently serves those uninsured individuals in nine Bay Area counties: Alameda, Contra Costa, Marin, San Francisco, San Mateo, Santa Clara, Sonoma, Napa, and Solano who are unable to pay for private health insurance and are ineligible for coverage through public insurance programs. In addition, Operation Access provides interpretive services for non-English speaking individuals and coordinates all specialty appointments on their behalf. Operation Access is located in San Francisco, and employs thirteen people to manage the programs and coordinate the services that are provided. The majority of revenue is derived from private foundations, corporations, and individual donors. Operation Access arranged for 1,721 and 1,641 outpatient surgical and specialty procedures, as well as diagnostic services, for eligible patients during the years ended December 31, 2016 and 2015, respectively.

2. **Summary of Significant Accounting Policies**

A summary of the significant accounting policies applied in the preparation of the accompanying financial statements is as follows:

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting.

Accounting

To ensure observance of certain constraints and restrictions placed on the use of resources, the accounts of Operation Access are maintained in accordance with the principles of net asset accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into net asset classes that are in accordance with specified activities or objectives. Accordingly, all financial transactions have been recorded and reported by net asset class as follows:

Unrestricted. These generally result from revenue generated by receiving unrestricted contributions, providing services, and receiving interest from investments less expenses incurred in providing program-related services, raising contributions, and performing administrative functions.

**AMBULATORY SURGERY ACCESS COALITION
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NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Temporarily Restricted. Operation Access reports contributions and other receipts of assets whose use by Operation Access is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of Operation Access pursuant to those stipulations, as temporarily restricted net assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from program or capital restrictions. Operation Access has temporarily restricted net assets of \$656,100 at December 31, 2016.

Permanently Restricted. These net assets are restricted by donors who stipulate that resources are to be maintained permanently, but permit Operation Access to expend all of the income (or other economic benefits) derived from the donated assets. Operation Access has no permanently restricted net assets at December 31, 2016.

Cash and Cash Equivalents

Operation Access has defined cash and cash equivalents as demand deposits at bank, certificates of deposit, with an original maturity of three months or less, and money market accounts.

Accounts Receivable

Accounts receivable includes grants receivable at year end. No allowance for doubtful accounts has been provided as they are all deemed collectible.

Contributions and Pledges Receivable

Unconditional promises to give that are expected to be collected within one year are recorded as net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at fair value, which is measured as the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discount is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met. Operation Access reports unconditional contributions as restricted support if they are received with donor stipulations that limit the use of the donated assets.

Concentration of Credit Risks

Operation Access places its temporary cash investments with high-credit, quality financial institutions. At times, such investments may be in excess of the Federal Deposit Insurance Corporation insurance limit. Operation Access has not incurred losses related to these investments.

**AMBULATORY SURGERY ACCESS COALITION
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NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Fair Value Measurements

Generally accepted accounting principles provide guidance on how fair value should be determined when financial statement elements are required to be measured at fair value. Valuation techniques are ranked in three levels depending on the degree of objectivity of the inputs used with each level:

Level 1 inputs - quoted prices in active markets for identical assets

Level 2 inputs - quoted prices in active or inactive markets for the same or similar assets

Level 3 inputs - estimates using the best information available when there is little or no market

Operation Access is required to measure certain types of assets, pledged contributions, and donated materials and services at fair value. The specific techniques used to measure fair value for these financial statement elements are described in the notes below that relates to each element.

Property and Equipment

Property and equipment are recorded at cost if purchased or at fair value at the date of donation if donated. Depreciation is computed on the straight-line basis over the estimated useful lives of the related assets. Amortization of leasehold improvements is computed using the straight-line method over the shorter of the remaining lease term or the estimated useful life of the improvements. Maintenance and repair costs are charged to expense as incurred. Property and equipment are capitalized if the cost of an asset is greater than or equal to five thousand dollars.

Donated Materials and Services

Contributions of donated non-cash assets are measured on a non-recurring basis and recorded at fair value in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at fair value in the period received. For the year ended December 31, 2016, donated materials and services received totaled \$19,718,817, of which \$19,650,000 consisted of donated surgical and specialty services whereas the remaining \$68,817 were other donated products and services.

Functional Allocation of Expenses

Costs of providing Operation Access' programs and other activities have been presented in the Statement of Functional Expenses. During the year, such costs are accumulated into separate groupings as either direct or indirect. Indirect or shared costs are allocated among program and support services based primarily on the ratio of each activity's direct salary cost to total direct salary cost of all activities.

AMBULATORY SURGERY ACCESS COALITION
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NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Income Taxes

Operation Access is exempt from taxation under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701d.

Generally accepted accounting principles provide accounting and disclosure guidance about positions taken by an organization in its tax returns that might be uncertain. Management has considered its tax positions and believes that all of the positions taken by Operation Access in its federal and state exempt organization tax returns are more likely than not to be sustained upon examination. Operation Access' returns are subject to examination by federal and state taxing authorities, generally for three and four years, respectively, after they are filed.

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 reported amounts of assets, liabilities, revenues, and expenses as of the date and for the period presented. Actual results could differ from those estimates.

Subsequent Events

Management has evaluated subsequent events through March 3, 2016, the date which the financial statements were available for issue. No events or transactions have occurred during this period that appear to require recognition or disclosure in the financial statements.

3. Pledges Receivable

Pledges receivable are recorded as support when pledged unless designated otherwise. All ledges are valued at estimated fair present value at December 31, 2016 and are deemed fully collectible. Accordingly, no allowance for doubtful accounts for uncollectible pledges or unamortized discount on pledges receivable has been recorded as of December 31, 2016. Pledges receivable of \$44,290 at December 31, 2016 is expected to be collected within one year.

4. Property and Equipment

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

Furniture and fixtures	\$ 18,018
Kitchen equipment	<u>16,866</u>
	34,884
Less: accumulated depreciation and amortization	<u>(34,884)</u>
	<u>\$ -</u>

continued

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NOTES TO FINANCIAL STATEMENTS

5. Accrued Liabilities

Accrued liabilities at December 31, 2016 consist of the following:

Accrued vacation	\$62,038
Accrued salaries	25,143
Contract advance	<u>12,500</u>
	<u>\$99,681</u>

6. Commitments and Contingencies

Obligations Under Operating Leases

Operation Access leases various facilities and equipment under operating leases with various terms. Future minimum payments, by year and in the aggregate, under these leases with initial or remaining terms of one year or more, consist of the following:

<u>Year ended December 31,</u>	
2017	\$ 95,792
2018	<u>16,042</u>
	<u>\$111,834</u>

Rent expense under operating leases for the year ended December 31, 2016 was \$93,042.

7. Temporarily Restricted Net Assets

Temporarily restricted net assets as of December 31, 2016 consist of the following:

Program services, San Francisco Bay Area	\$500,000
Program services, Napa County	51,600
Program services, Marin County	50,000
Program Services, Sonoma County	37,500
Colorectal Cancer Screening	14,000
Program services, Northern San Mateo County	<u>3,000</u>
	<u>\$656,100</u>

For the year ended December 31, 2016, net assets released from time restrictions were \$1,175,636.

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NOTES TO FINANCIAL STATEMENTS

8. Contributions

Contributions for the year ended December 31, 2016 consist of the following:

Corporate support	\$1,085,250
Foundation grants	157,500
Individual and family foundation donations	<u>210,678</u>
	<u>\$1,453,428</u>

9. Retirement Plan

Operation Access has a defined contribution retirement plan available to substantially all employees. Employees may contribute any whole percentage of annual compensation provided that it does not exceed maximum amounts as permitted by law. Operation Access made matching contributions equal to the first four percent of eligible compensation that an employee contributes to the plan. Employer contributions under this plan for the year ended December 31, 2016 were \$30,440.

10. Fair Value Measurements

The table below presents transactions measured at fair value on a non-recurring basis during the year ended December 31, 2016:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Donated materials and services	\$ -	\$19,718,817	\$ -	\$19,718,817
Pledged contributions – current year			<u>44,290</u>	<u>44,290</u>
Fair value at December 31, 2016	<u>\$ -</u>	<u>\$19,718,817</u>	<u>\$44,290</u>	<u>\$19,763,107</u>

The fair value of donated materials and services has been measured on a non-recurring basis using quoted prices for similar assets in inactive markets (Level 2 inputs).

The fair value of pledged contributions – current year has been measured on a non-recurring basis using the value provided by the donor at the date of pledge and based on evaluating the credit worthiness of the donor (Level 3 inputs).