

SILOAM FAMILY HEALTH CENTER

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**

JUNE 30, 2012

SILOAM FAMILY HEALTH CENTER

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BELLENFANT + MILES, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Siloam Family Health Center
Nashville, Tennessee

We have audited the accompanying statement of financial position of Siloam Family Health Center as of June 30, 2012, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Health Center's management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Siloam Family Health Center as of June 30, 2012, 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.

Bellenfant & Miles, PLLC

September 27, 2012

SILOAM FAMILY HEALTH CENTER
STATEMENT OF FINANCIAL POSITION

JUNE 30, 2012

ASSETS

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Current Assets:			
Cash	\$ 1,224,306	285,823	\$ 1,510,129
Investments	-	1,512,837	1,512,837
Prepaid expenses	27,693	-	27,693
Accounts receivable	209,468	-	209,468
	<u>1,461,467</u>	<u>1,798,660</u>	<u>3,260,127</u>
Total Current Assets			
	<u>1,461,467</u>	<u>1,798,660</u>	<u>3,260,127</u>
Property and Equipment:			
Land	291,560	-	291,560
Building	2,441,974	-	2,441,974
Furniture and equipment	425,275	-	425,275
	<u>3,158,809</u>	<u>-</u>	<u>3,158,809</u>
Less: Accumulated depreciation	977,370	-	977,370
	<u>2,181,439</u>	<u>-</u>	<u>2,181,439</u>
Net Property and Equipment			
	<u>2,181,439</u>	<u>-</u>	<u>2,181,439</u>
TOTAL ASSETS	<u>\$ 3,642,906</u>	<u>\$ 1,798,660</u>	<u>\$ 5,441,566</u>

LIABILITIES AND NET ASSETS

Current Liabilities:			
Accounts payable	\$ 84,337	\$ -	\$ 84,337
Accrued compensated absences	101,964	-	101,964
	<u>186,301</u>	<u>-</u>	<u>186,301</u>
Total Current Liabilities			
	<u>186,301</u>	<u>-</u>	<u>186,301</u>
Total Liabilities	<u>186,301</u>	<u>-</u>	<u>186,301</u>
Net Assets	<u>3,456,605</u>	<u>1,798,660</u>	<u>5,255,265</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,642,906</u>	<u>\$ 1,798,660</u>	<u>\$ 5,441,566</u>

The accompanying notes are an integral part of this financial statement.

SILOAM FAMILY HEALTH CENTER

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE:			
Contributions	\$ 1,367,817		\$ 1,367,817
Service Contracts	969,302	-	969,302
Donated Services	476,932	-	476,932
Patient Contributions	164,771	-	164,771
HCC Billings	24,123	-	24,123
Interest	13,072	-	13,072
Net Endowment Income	42,061	-	42,061
Realized and Unrealized Net Investment Loss	-	(5,224)	(5,224)
Net Assets Released from Restrictions	393,227	(393,227)	-
	<u>3,451,305</u>	<u>(398,451)</u>	<u>3,052,854</u>
Total Support and Revenue			
EXPENSES:			
Program Services	3,046,625	-	3,046,625
General and Administrative	182,528	-	182,528
Fundraising	139,748	-	139,748
	<u>3,368,901</u>	<u>-</u>	<u>3,368,901</u>
Total Expenses			
CHANGE IN NET ASSETS	<u>82,404</u>	<u>(398,451)</u>	<u>(316,047)</u>
Net Assets, July 1, 2011 (as previously stated)	3,472,368	2,197,111	5,669,479
Adjustment for liability for accrued compensated absences	<u>(98,167)</u>	<u>-</u>	<u>(98,167)</u>
Net Assets, July 1, 2011 (as restated)	<u>3,374,201</u>	<u>2,197,111</u>	<u>5,571,312</u>
Net Assets, June 30, 2012	<u>\$ 3,456,605</u>	<u>\$ 1,798,660</u>	<u>\$ 5,255,265</u>

The accompanying notes are an integral part of this financial statement.

SILOAM FAMILY HEALTH CENTER

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2012

	<u>Program Services</u>	<u>General & Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 1,577,556	\$ 101,468	71,464	\$ 1,750,488
Contract labor	26,555	-	-	26,555
Employee benefits	162,604	15,474	15,710	193,788
Payroll taxes	113,777	7,476	5,610	126,863
Donated patient care	476,932	-	-	476,932
Medical and lab supplies	224,544	-	-	224,544
Lab fees	80,919	-	-	80,919
Clinic supplies	49,000	11,831	2,288	63,119
Interpreter contracts	60,135	-	-	60,135
Medical waste disposal	2,256	-	-	2,256
Facilities	32,278	1,532	595	34,405
Institute	3,368	-	-	3,368
Accounting	650	5,850	-	6,500
Continuing education	2,464	-	-	2,464
Dues and licenses	1,860	2,787	896	5,543
Development and fundraising	-	-	30,050	30,050
Insurance – general and liability	17,323	4,928	302	22,553
Postage and shipping	2,154	172	135	2,461
Utilities	28,047	652	398	29,097
Telephone	8,899	684	473	10,056
Telephone (cellular)	2,028	259	194	2,481
Meetings, workshops, & travel	12,766	3,969	79	16,814
Volunteer development	12,601	-	-	12,601
Contingencies and miscellaneous	10,500	7,379	2,000	19,879
Depreciation	137,409	18,067	9,554	165,030
	<u>\$ 3,046,625</u>	<u>\$ 182,528</u>	<u>\$ 139,748</u>	<u>\$ 3,368,901</u>

The accompanying notes are an integral part of this financial statement.

SILOAM FAMILY HEALTH CENTER

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2012

CASH FLOWS FROM OPERATING ACTIVITIES

Change in Net Assets	\$ (316,047)
Adjustments to reconcile change in net assets to net cash used by operating activities:	
Depreciation	165,030
Realized and Unrealized Investment Loss	5,224
(Increase) decrease in:	
Prepaid expenses	(9,180)
Accounts receivable	(45,932)
Increase (decrease) in:	
Accounts payable	46,198
Accrued expenses	(15,996)
Accrued compensated absences	3,797
Net Cash Used by Operating Activities	<u>(166,906)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Sale of investments	79,323
Purchase of investments	(30,209)
Dividends reinvested	(52,932)
Fees on investments	10,872
Furniture and equipment acquired	<u>(63,910)</u>
Net Cash Used by Investing Activities	<u>(56,856)</u>
NET DECREASE IN CASH	(223,762)
Cash - July 1, 2011	<u>1,733,891</u>
Cash - June 30, 2012	<u><u>\$ 1,510,129</u></u>

The accompanying notes are an integral part of this financial statement.

SILOAM FAMILY HEALTH CENTER
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

Organization and Purpose:

Siloam Family Health Center ("the Health Center") provides medical services on an outpatient basis to underprivileged persons who cannot access medical care because of financial or language barriers. Its mission statement is to share the love of Christ by serving those in need through healthcare.

Basis of Accounting:

A significant part of the Health Center's support is derived from government grants and contracts. Contributions by grantors for specific purposes are reported as support in the period a liability is incurred for expenditures in compliance with specific grant requirements. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose 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 restrictions.

Basis of Presentation:

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. Revenues are recognized when earned and expenses are generally recognized when incurred. Financial statement presentation follows the requirements of the Financial Accounting Standards Board (FASB) Accounting Standards Codification Topic related to Presentation of Financial Statements of Not-for-Profit Organizations. Under the FASB Accounting Standards Codification, the Health Center is required to report information regarding its financial position and activities according to three classes of net assets; unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

SILOAM FAMILY HEALTH CENTER

NOTES TO FINANCIAL STATEMENTS - (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES - (CONTINUED)

Basis of Presentation:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Health Center and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. The Health Center had temporarily restricted net assets of \$1,798,660 as of June 30, 2012.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that may be maintained permanently by the Health Center. Generally donors of these assets permit the Health Center to use all or part of the income earned for general or specific purposes. The Health Center had no permanently restricted net assets as of June 30, 2012.

Revenue Recognition:

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor restricted support is reported as an 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.

Functional Allocation of Expenses:

Expenses are charged directly to program, general and administrative, or fundraising categories based on specific identification. Indirect expenses have been allocated based on estimates made by the Health Center's management.

Cash:

For purposes of the statement of cash flows, the Health Center considers all investment instruments purchased with maturity of three months or less to be cash equivalents.

Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

SILOAM FAMILY HEALTH CENTER

NOTES TO FINANCIAL STATEMENTS - (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES - (CONTINUED)

Property and Equipment:

Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support 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 support. Absent donor stipulations regarding how long those donated assets must be maintained, the Health Center reports expirations of donor restrictions when the donated or acquired assets are placed in services as instructed by the donor. The Health Center reclassifies temporarily restricted net assets to unrestricted net assets at that time. Purchased assets are reported at cost. Property and equipment are depreciated using the straight-line method over their useful lives of 35 years for the building and three to five years for furniture and equipment.

2. FEDERAL INCOME TAX STATUS

The Health Center has been determined by the Internal Revenue Service to be exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code.

The Health Center has evaluated its tax positions in accordance with the Codification Standard relating to Accounting for Uncertainty in Income Taxes. The Health Center believes that it has taken no uncertain tax positions.

3. FUNDING AND CONCENTRATION

The Health Center receives a major portion of the funds that it uses to conduct its programs from contracts with the State of Tennessee and Catholic Charities of Tennessee, Inc. A major reduction of funds from one of the grants or contracts, should this occur, would have a material effect on the programs and the financial position of the Health Center.

4. FAIR VALUES OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used by the Health Center in estimating its fair value disclosures for financial instruments:

Cash, cash equivalents, investments, receivables, prepaids, and payables: The carrying amounts reported in the statement of financial position approximate fair values because of the short maturities of those instruments.

SILOAM FAMILY HEALTH CENTER

NOTES TO FINANCIAL STATEMENTS - (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2012

5. CASH

The following accounts comprise cash as of June 30, 2012:

<u>Type of Account</u>	<u>Amount</u>
Checking	\$ 42,116
Money Market	1,467,616
Petty Cash	397
	<u>\$ 1,510,129</u>

6. IN-KIND SUPPORT AND DONATIONS

The Health Center receives donated services from a variety of unpaid volunteer professionals assisting the Health Center in the counseling and medical programs. In accordance with FASB Accounting Standards Codification, these services are accounted for at fair market value and totaled \$476,932 for the year ended June 30, 2012.

Significant medical services including, but not limited to, hospital and laboratory testing services and pharmaceutical supplies are donated to patients of the Health Center by other providers at little or no cost to the patient. These services and products are oftentimes given at the urging of the Health Center. Since the Health Center does not directly make the contributions, the value of such services and products are not reflected in the accompanying financial statements.

7. PENSION PLAN

The Health Center has a Savings Incentive Match Plan for Employees (SIMPLE). The Health Center makes matching contributions to the Plan up to 3% of gross salaries of qualified employees to the Plan. Employees may make additional contributions to the Plan up to the maximum amount allowed by the Internal Revenue Code. During the year ended June 30, 2012 the Health Center contributed \$30,663 to the Plan.

SILOAM FAMILY HEALTH CENTER

NOTES TO FINANCIAL STATEMENTS - (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2012

8. CONCENTRATIONS OF RISK

The financial condition of all depository banks, including those with balances less than the Federal Deposit Insurance Corporation \$250,000 insured limit, is continually reviewed by the board. As of June 30, 2012 there were no deposits in excess of the amount insured by the Federal Deposit Insurance Corporation (FDIC).

9. TEMPORARILY RESTRICTED INVESTMENTS

Temporarily restricted investments of the Endowment Fund are held at Charles Schwab. The account is managed by Lee, Danner & Bass, Inc. All temporarily restricted investments are reported at fair market value. Temporarily restricted investments consist of the following:

Charles Schwab-	
Equities	906,885
Corporate Bonds	504,260
	<hr/>
	1,411,145
Cash	101,692
	<hr/>
Total Restricted Investments	<u>1,512,837</u>

10. PRIOR PERIOD ADJUSTMENT

During the fiscal year ended June 30, 2012 a prior period adjustment to net assets was made to record the liability for accrued compensated absences as of July 1, 2011.

Unrestricted Net Assets, July 1, 2011	\$ 3,472,368
Adjustment to accrue compensated absences	<u>(98,167)</u>
Unrestricted Net Assets, July 1, 2011 Restated	<u>\$ 3,374,201</u>

SILOAM FAMILY HEALTH CENTER

NOTES TO FINANCIAL STATEMENTS - (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2012

11. FAIR VALUE MEASUREMENTS

The Health Center's investments are reported at fair value in the accompanying statement of financial position.

Fair Value Measurements at June 30, 2012 Using:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equities	906,885	906,885	-	-
Corporate Bonds	504,260	-	504,260	-
	<u>\$ 1,411,145</u>	<u>\$ 906,885</u>	<u>\$ 504,260</u>	<u>\$ -</u>

The Financial Accounting Standards Board (FASB) Accounting Standards Codification Topic related to Fair Value Measurements, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted process for identical assets, and Level 3 inputs have the lowest priority. The Health Center uses the appropriate valuation techniques based on the available inputs to measure the fair value of its investments. Level 3 inputs were only used when Level 1 or Level 2 inputs were not available.

Level 2 Fair Value Measurements - The fair value of the investments are based on inputs other than quoted prices within Level 1 that are observable for the asset, either directly, or indirectly.

Level 3 Fair Value Measurements - The fair value of the mutual fund and the guaranteed interest accounts are based on at least one significant unobservable input.

SILOAM FAMILY HEALTH CENTER

NOTES TO FINANCIAL STATEMENTS - (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2012

12. TEMPORARILY RESTRICTED FUNDING

Certain contributions are received with restrictions as to their purpose. The following is a summary of temporarily restricted activities during the year ended June 30, 2012.

Contributor	Balance July 1, 2011	Revenues	Expenses	Balance June 30, 2012
Building Fund	\$ 466,435	\$ 833	\$ 185,650	\$ 281,618
Endowment Fund	1,476,293	47,416 *	10,872	1,512,837
Giving Circle	207	2,900	3,107	-
HCA Foundation - X-ray	1,148	-	400	748
HCA Employees-Community Day	-	-	205	(205)
HCA, Inc.	8,125	-	8,125	-
Pinnacle National Bank	3,000	-	3,000	-
The Institute	140,847	82,175	240,184	(17,162)
Joe C. Davis Foundation (EMR)	86,349	-	86,349	-
Miscellaneous Restricted	(925)	580	79	(424)
Nashville Predators Foundation	-	3,000	-	3,000
S Komen Foundation	12,357	45,381	41,185	16,553
Hal Andrews	3,275	-	1,580	1,695
Totals	<u>\$2,197,111</u>	<u>\$ 182,285</u>	<u>\$ 580,736</u>	<u>\$ 1,798,660</u>

* Endowment fund revenue includes realized and unrealized gains on investments of \$(5,224).

13. SUBSEQUENT EVENTS

Subsequent events have been evaluated through September 27, 2012 which is the date the financial statements were available to be issued.