

INTERFAITH DENTAL CLINIC OF NASHVILLE

Financial Statements

June 30, 2005 and 2004

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Independent Auditors' Report

To the Board of Directors of
Interfaith Dental Clinic of Nashville

We have audited the accompanying statements of financial position of Interfaith Dental Clinic of Nashville (a nonprofit organization) as of June 30, 2005 and 2004, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 audits provide 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 Interfaith Dental Clinic of Nashville as of June 30, 2005 and 2004, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Parker, Parker & Associates

August 2, 2005

INTERFAITH DENTAL CLINIC OF NASHVILLE

Statements of Financial Position

June 30, 2005 and 2004

	<u>2005</u>	<u>2004</u>
Assets		
Current Assets		
Cash	\$ 229,327	\$ 165,104
Patient Accounts Receivable, Net of Allowance of \$12,531 in 2005 and \$19,383 in 2004	38,366	53,498
Capital Campaign Contributions Receivable	453,250	-
Other Contributions Receivable, Net of Allowance of \$9,121 in 2005 and \$10,576 in 2004	349,246	357,049
Total Current Assets	<u>1,070,189</u>	<u>575,651</u>
Property & Equipment		
Building	710,345	710,345
Building Improvements	64,183	64,183
Dental Equipment	147,963	147,963
Office Equipment	45,981	43,772
Donated Equipment	49,299	40,856
Land	143,453	143,453
	<u>1,161,224</u>	<u>1,150,572</u>
Less: Accumulated Depreciation	(341,106)	(301,516)
Total Property & Equipment	<u>820,118</u>	<u>849,056</u>
Other Assets		
Restricted Cash and Investments	176,017	162,873
Beneficial Interest in Agency Endowment Fund Held by the Community Foundation of Middle Tennessee	6,348	5,860
Total Other Assets	<u>182,365</u>	<u>168,733</u>
Total Assets	<u><u>\$ 2,072,672</u></u>	<u><u>\$ 1,593,440</u></u>
Liabilities and Net Assets		
Current Liabilities		
Accounts Payable	\$ 26,285	\$ 12,685
Accrued Salaries, Wages, Payroll Deductions Withheld & Taxes	21,722	24,549
Patient Credits	4,080	6,579
Accrued Income Taxes	984	857
Total Current Liabilities	<u>53,071</u>	<u>44,670</u>
Net Assets		
Unrestricted Net Assets		
Unrestricted	1,300,732	1,380,037
Board Designated for Beneficial Interest	6,348	5,860
Total Unrestricted Net Assets	<u>1,307,080</u>	<u>1,385,897</u>
Temporarily Restricted Net Assets	162,873	162,873
Total Net Assets	<u>2,019,601</u>	<u>1,548,770</u>
Total Liabilities and Net Assets	<u><u>\$ 2,072,672</u></u>	<u><u>\$ 1,593,440</u></u>

See independent auditors' report and notes to financial statements.

INTERFAITH DENTAL CLINIC OF NASHVILLE
Statements of Activities
For the Years Ended June 30, 2005 and 2004

	<u>2005</u>	<u>2004</u>
Unrestricted Net Assets		
Revenue		
Patient Fees	\$ 270,655	\$ 279,347
Rent Income	43,776	39,463
Investment Income	367	667
Interest and Dividend Income	875	553
Miscellaneous Income	535	334
Support		
United Way	125,048	118,822
Government Grant	25,000	25,000
Individual and Foundation Contributions	284,903	481,080
Corporate Contributions	24,828	15,280
Church Contributions	20,203	13,385
Bleaching	35,325	27,555
Christmas Cards	8,875	11,225
Gala	54,462	34,605
Other Special Events	500	11,787
Nitrous, Net	4,673	440
Donated Professional Services	225,164	190,044
Donated Supplies and Equipment	17,433	39,494
Total Revenue and Support	<u>1,142,622</u>	<u>1,289,081</u>
Net Assets Released from Restrictions		
Capital Campaign Restrictions Satisfied by Payments	57,879	-
Total Unrestricted Revenue, Support, and Reclassifications	<u>1,200,501</u>	<u>1,289,081</u>
Expenses		
Dental Services	1,030,781	923,404
Management and General	15,994	13,929
Operational Fundraising	145,025	124,823
Capital Campaign Fundraising	57,879	-
Tenant	29,639	28,393
Total Expenses	<u>1,279,318</u>	<u>1,090,549</u>
 (Decrease) Increase in Unrestricted Net Assets	 <u>(78,817)</u>	 <u>198,532</u>
Temporarily Restricted Net Assets		
Capital Campaign	594,383	-
Interest and Dividend Income	2,982	1,518
Investment Income	10,162	23,928
Special Events	-	44,024
Net Assets Released from Restrictions	<u>(57,879)</u>	<u>-</u>

See independent auditors' report and notes to financial statements.

INTERFAITH DENTAL CLINIC OF NASHVILLE
Statements of Activities - Continued
For the Years Ended June 30, 2005 and 2004

	<u>2005</u>	<u>2004</u>
Temporarily Restricted Net Assets - Continued		
Increase in Temporarily Restricted Net Assets	\$ 549,648	\$ 69,470
Increase in Net Assets	470,831	268,002
Net Assets - Beginning of Year	<u>1,548,770</u>	<u>1,280,768</u>
Net Assets - End of Year	<u>\$ 2,019,601</u>	<u>\$ 1,548,770</u>

See independent auditors' report and notes to financial statements.

INTERFAITH DENTAL CLINIC OF NASHVILLE
Statements of Functional Expenses
For the Years Ended June 30, 2005 and 2004

	2005										2004									
	Supporting Services										Supporting Services									
	Dental Services	Management and General	Operational Fundraising	Capital Campaign Fundraising	Tenant	Total	Dental Services	Management and General	Fund-Raising	Tenant	Total	Dental Services	Management and General	Fund-Raising	Tenant	Total				
Accounting	\$ 3,282	\$ 177	\$ 89	\$ -	\$ 2,365	\$ 5,914	\$ 2,751	\$ 149	\$ 74	\$ 1,983	\$ 4,957	\$ 2,751	\$ 149	\$ 74	\$ 1,983	\$ 4,957				
Bad Debt	16,180	-	-	-	-	16,180	13,449	-	-	-	13,449	13,449	-	-	-	13,449				
Capital Campaign	-	-	-	57,879	-	57,879	-	-	-	-	-	-	-	-	-	-				
Continuing Education & Memberships	4,007	286	-	-	-	4,293	4,188	299	-	-	4,487	4,188	299	-	-	4,487				
Dental Lab	55,762	-	-	-	-	55,762	49,239	-	-	-	49,239	49,239	-	-	-	49,239				
Dental Supplies	39,400	-	-	-	-	39,400	37,880	-	-	-	37,880	37,880	-	-	-	37,880				
Depreciation	29,005	1,568	784	-	8,233	39,590	34,040	1,840	920	8,229	45,029	34,040	1,840	920	8,229	45,029				
Donated Dental Supplies	8,401	-	-	-	-	8,401	33,889	-	-	-	33,889	33,889	-	-	-	33,889				
Donated Office Supplies	543	30	18	-	-	590	970	53	32	-	1,054	970	53	32	-	1,054				
Donated Professional Services	224,944	-	-	-	-	224,944	189,130	-	-	-	189,130	189,130	-	-	-	189,130				
Employee Advertising	300	-	-	-	-	300	1,021	-	-	-	1,021	1,021	-	-	-	1,021				
Exterior Custodial Related Expenses	57	3	2	-	41	103	369	20	10	266	664	369	20	10	266	664				
Fundraising Expenses	-	-	8,601	-	-	8,601	-	-	-	-	-	-	-	-	-	-				
Income Taxes	-	-	-	-	3,423	3,423	-	-	-	-	-	-	-	-	-	-				
Insurance	14,108	3,126	159	-	-	17,393	11,639	2,579	131	-	14,348	11,639	2,579	131	-	14,348				
Interior Custodial Related Expenses	4,260	231	139	-	-	4,630	4,342	236	142	-	4,719	4,342	236	142	-	4,719				
Merchant Card Fees & Rental	1,864	-	1,864	-	-	3,728	1,083	-	-	-	2,165	1,083	-	-	-	2,165				
Miscellaneous	2,186	547	-	-	-	2,733	63	15	-	-	78	63	15	-	-	78				
Office Supplies	3,350	182	109	-	-	3,641	3,600	196	117	-	3,913	3,600	196	117	-	3,913				
Payroll Taxes & Benefits	93,444	1,099	15,138	-	253	109,935	85,351	1,004	13,827	231	100,413	85,351	1,004	13,827	231	100,413				
Postage and Handling	855	356	4,489	-	-	5,701	825	344	4,332	-	5,501	825	344	4,332	-	5,501				
Printing	1,616	404	7,270	-	-	9,289	1,080	270	4,858	-	6,208	1,080	270	4,858	-	6,208				
Professional Services	9,523	-	-	-	-	9,523	7,110	-	-	-	7,110	7,110	-	-	-	7,110				
Property Taxes	-	-	-	-	6,831	6,831	-	-	-	6,831	6,831	-	-	-	6,831	6,831				
Repairs & Maintenance	9,215	115	58	-	1,449	10,837	6,277	87	43	790	7,198	6,277	87	43	790	7,198				
Salaries	488,455	5,747	79,130	-	1,322	574,652	417,453	4,911	67,627	1,130	491,122	417,453	4,911	67,627	1,130	491,122				
Security	449	24	15	-	-	488	427	23	14	-	464	427	23	14	-	464				
Special Events	-	-	24,378	-	-	24,378	-	-	-	-	-	-	-	-	-	-				
Support, Repairs & Maintenance	5,931	847	1,695	-	-	8,473	4,365	624	1,247	-	28,974	4,365	624	1,247	-	28,974				
Telephone and Internet	3,448	768	768	-	-	4,984	3,761	838	838	-	6,235	3,761	838	838	-	6,235				
Utilities	7,939	429	215	-	5,722	14,304	7,484	405	202	5,394	13,485	7,484	405	202	5,394	13,485				
Volunteer and Employee Recognition	2,258	54	108	-	-	2,420	1,621	39	77	-	1,736	1,621	39	77	-	1,736				
Total Expenses	\$ 1,030,781	\$ 15,994	\$ 145,025	\$ 57,879	\$ 29,639	\$ 1,279,318	\$ 923,404	\$ 13,929	\$ 124,823	\$ 28,393	\$ 1,090,549	\$ 923,404	\$ 13,929	\$ 124,823	\$ 28,393	\$ 1,090,549				

See independent auditors' report and notes to financial statements.

INTERFAITH DENTAL CLINIC OF NASHVILLE
Statements of Cash Flows
For the Years Ended June 30, 2005 and 2004

	<u>2005</u>	<u>2004</u>
Cash Flows from Operating Activities		
Increase in Net Assets	\$ 470,831	\$ 268,002
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	39,590	45,029
Decrease (Increase) in Patient Accounts Receivable	15,132	(8,565)
Increase in Contributions Receivable	(445,447)	(185,284)
Increase in Donated Property & Equipment	(8,443)	(4,551)
Realized/Unrealized Gain on Marketable Securities	(11,416)	(25,447)
Increase in Beneficial Interest in Agency Endowment Fund	(488)	(768)
Increase (Decrease) in Accounts Payable	13,600	(3,617)
(Decrease) Increase in Accrued Liabilities	(2,700)	12,084
(Decrease) Increase in Patient Credits	(2,499)	3,376
Total Adjustments	<u>(402,671)</u>	<u>(167,743)</u>
Net Cash Provided by Operating Activities	<u>68,160</u>	<u>100,259</u>
 Cash Flows from Investing Activities		
Payments for the Purchase of Marketable Securities	(1,728)	(44,024)
Payments for the Purchase of Property & Equipment	<u>(2,209)</u>	<u>(11,103)</u>
Net Cash Used by Investing Activities	<u>(3,937)</u>	<u>(55,127)</u>
 Net Increase in Cash	64,223	45,132
 Cash - Beginning of Year	<u>165,104</u>	<u>119,972</u>
 Cash - End of Year	<u>\$ 229,327</u>	<u>\$ 165,104</u>
 Supplemental Cash Flow Disclosures:		
Non-cash Disclosures:		
Donated Property and Equipment	<u>\$ 8,443</u>	<u>\$ 4,551</u>

See independent auditors' report and notes to financial statements.

INTERFAITH DENTAL CLINIC OF NASHVILLE
Notes to Financial Statements
June 30, 2005 and 2004

Note 1. Summary of Significant Accounting Policies

A. Organization and Nature of Activities

Interfaith Dental Clinic of Nashville (the "Clinic") is a nonprofit organization dedicated to providing affordable dental care to uninsured working poor families and those over age 65 in the greater Nashville area through access to affordable quality dental care, oral disease prevention services, and oral health education.

B. Basis of Accounting

The financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

C. Financial Statement Presentation

The net assets of the Clinic and changes therein are classified and reported as follows:

Unrestricted Net Assets - Net assets that are not subject to donor-imposed restrictions.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed restrictions that may or will be met, either by actions of the Organization and/or the passage of time.

D. Estimates

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

E. Cash and Cash Equivalents

For purposes of the statement of cash flows, cash includes cash on hand, demand deposits and investments with initial maturities of three months or less.

F. Contributions Receivable

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at present value of their estimated future cash flows unless the value not discounted is immaterial to the financial statements as a whole. Conditional promises to give are not included as support until the conditions are substantially met.

G. Investments

Investments are stated at the readily determinable fair market value in accordance with Statement of Financial Accounting Standard ("SFAS") 124 *Accounting for Certain Investments Held by Not-for-Profit Organizations*. All interest, dividends and unrealized gains and losses are reported in the statement of activities as increases or decreases in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulations or by law.

H. Property, Plant and Equipment

Property, plant and equipment with estimated useful lives greater than one year are carried at cost if purchased or fair market value if donated. Depreciation is calculated on the straight-line method over the estimated useful lives of the assets, which range from 3 to 40 years.

I. Contributed Property and Equipment

Contributed property and equipment is recorded at fair value at the date of donation. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support.

INTERFAITH DENTAL CLINIC OF NASHVILLE
Notes to Financial Statements - Continued
June 30, 2005 and 2004

Note 1. Summary of Significant Accounting Policies - Continued

J. Income Taxes

The Organization is a nonprofit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

K. Functional Expenses

Expenses are charged directly to program, management and general, or fundraising based on a combination of specific identification and allocation by management.

L. Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. If a restriction is fulfilled in the same time period in which the contribution is received, the organization reports the support as unrestricted. Otherwise, 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.

M. Contributed Services

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 their fair values in the period received. The Clinic receives many contributed services from various dental professionals. These services meet the requirements for recognition in the financial statements and have been recorded or reflected in the accompanying financial statements.

N. Patient Fees

Fees are charged to the patients on a sliding scale based on their ability to pay according to the Federal Poverty Guidelines for Tennessee. Market value for services performed during 2005 and 2004 were \$1,342,683 and \$1,251,083. The discount between market value and patient fees recognized fluctuates with patient mix.

O. Agency Endowment Fund

The Clinic's beneficial interest in an agency endowment fund held by the Community Foundation of Middle Tennessee is recognized as an asset. In accordance with Statement on Accounting Standard No. 136 *Transfers of Assets to a Not-for-Profit Organization or Charitable Trust That Raises or Holds Contributions for Others*, investment income and changes in the value are recognized in the statement of activities. Distributions received from the fund are recorded as decreases in the beneficial interest.

P. Reclassifications

Certain reclassifications have been made to the financial statements as of and for the year ended June 30, 2004 to conform with the June 30, 2005 presentation.

Note 2. Investments

The Clinic holds investments of cash contributed to the Capital Campaign in various short-term equity securities and cash. These investments are carried at the fair market value determined on June 30, 2005 and 2004 using quoted market prices. The investments are as follows:

	<u>2005</u>	<u>2004</u>
Money Market	\$ 2,594	\$ 4,237
Mutual Funds	173,423	158,636
	<u>\$ 176,017</u>	<u>\$ 162,873</u>

INTERFAITH DENTAL CLINIC OF NASHVILLE
Notes to Financial Statements - Continued
June 30, 2005 and 2004

Note 3. Contributions Receivable

Unconditional promises to give are recorded as follows:

	2005	2004
Capital Campaign Contributions Receivable	\$ 453,250	\$ -
Other Contributions Receivable	358,367	367,625
Subtotal Contributions Receivable	811,617	367,625
Less:		
Discounts for the Time Value of Money	(9,121)	(10,576)
Contributions Receivable, Net	<u>\$ 802,496</u>	<u>\$ 357,049</u>

Anticipated future collections of contributions receivable are as follows:

	2005	2004
Receivable in Less than One Year	\$ 601,382	\$ 122,255
Receivable in One to Five Years	210,235	245,370
Total Contributions Receivable-Unrestricted	<u>\$ 811,617</u>	<u>\$ 367,625</u>

Note 4. Contributed Property, Equipment and Services

Donated property, equipment and services are used in the ongoing operations of the Clinic. The value of donated property, equipment and services included in the financial statements and the corresponding expenditure or asset capitalization for the year ended June 30, 2005 and 2004 are as follows:

Revenues

	2005	2004
Donated Professional Services	\$ 225,164	\$ 190,044
Donated Supplies & Equipment	17,433	39,494
	<u>\$ 242,597</u>	<u>\$ 229,538</u>

Expenses

	2005	2004
Donated Professional Dental Services	\$ 224,944	\$ 189,130
Dental Supplies	8,400	33,889
Office Supplies and Services	590	1,054
Repairs and Maintenance	220	915
Property	8,443	4,551
	<u>\$ 242,597</u>	<u>\$ 229,538</u>

Note 5. Lease

The Clinic entered into a lease agreement with David Paine effective July 1, 2000 whereby Mr. Paine leased 3,081 square feet of the Clinic building. The lease expired on May 31, 2005. The space is now under renovation as part of the Capital Campaign.

Note 6. Beneficial Interest in Agency Fund Endowment

During the year ended June 30, 2002, the Clinic transferred \$5,000 to the Community Foundation of Middle Tennessee ("Community Foundation") under an agency endowment fund. It is the hope of the Clinic that other individuals will contribute to the fund. The Clinic has granted variance power to the Community Foundation, and the Community Foundation has ultimate authority and control over the Fund and the income derived therefrom. The clinic retains a beneficial interest in the endowment fund held by the Community Foundation.

INTERFAITH DENTAL CLINIC OF NASHVILLE
Notes to Financial Statements - Continued
June 30, 2005 and 2004

Note 6. Beneficial Interest in Agency Fund Endowment – Continued

Upon request by the Clinic, income from the fund representing an annual return may be distributed to the Clinic or to another suggested beneficiary subject to the approval of the Community Foundation. The fund is charged a .4% administrative fee annually on the principal. A schedule of the changes in the Clinic's beneficial interest in this fund for the years ended June 30, 2005 and 2004 is as follows:

	<u>2005</u>	<u>2004</u>
Beneficial Interest - Beginning of Year	\$ 5,860	\$ 5,092
Change in Value of Beneficial Interest:		
Contributions to the Fund	-	-
Realized Gain (Loss)	226	(8)
Unrealized Gain	141	674
Interest and Dividends	162	139
Administrative Expenses	(41)	(37)
	<u>488</u>	<u>768</u>
Distributions	<u>-</u>	<u>-</u>
Beneficial Interest - End of Year	<u>\$ 6,348</u>	<u>\$ 5,860</u>

Note 7. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purpose as of June 30, 2005 and 2004:

	<u>2005</u>	<u>2004</u>
Capital Campaign	\$ 712,521	\$ 162,873
	<u>\$ 712,521</u>	<u>\$ 162,873</u>

Note 8. Retirement Plan

The Clinic maintains a Defined Contribution 401(k) Retirement Plan for all eligible employees. Employees age 21 or older become eligible to participate in the plan after thirty days of continuous service. The plan allows participants to contribute a portion of their earnings up to the maximum amount allowable under the Internal Revenue Code each year. The Clinic contributes 8% of a participant's annual salary in matching contributions after one year of continuous service. Matching contributions of \$32,163 and \$34,629 were made by the Clinic during the years ended June 30, 2005 and 2004. The Clinic may also make discretionary contributions to the retirement plan. No discretionary contributions to the plan were made during the years ended June 30, 2005 and 2004.

Note 9. Concentrations

The Clinic maintains checking and money market accounts with AmSouth Bank in Tennessee. Accounts at the institution are insured by the Federal Deposit Insurance Corporation up to \$100,000. At June 30, 2005 and 2004, the Clinic's cash accounts exceeded the insurance coverage by \$154,295 and \$83,061.

For the years ended June 30, 2005 and 2004, the Clinic received 10% of total revenue and support from the United Way of Metropolitan Nashville.