

FAITH FAMILY MEDICAL CLINIC, INC.
Financial Statements
December 31, 2009

Contents

	<u>Page</u>
Independent Auditors' Report	1
Statement of Financial Position	2
Statement of Activities	3
Statement of Functional Expenses	4
Statement of Cash Flows	5
Notes to Financial Statements	6-10
Supplemental Information	11-13

Parker, Parker & Associates, PLC

Certified Public Accountants

1000 NORTHCHASE DRIVE - SUITE 260
GOODLETTSVILLE, TN 37072

STEVEN B. PARKER, CPA
CHARLES N. PARKER, CPA
KAREN R. STEPHENS, CPA
CATHY D. FISHER, CPA
LAUREN S. ALLEN, CPA
CARRIE E. DAWSON, CPA
CHRISTOPHER E. JERNIGAN, CPA

TELEPHONE: 615-859-8800
FAX: 615-859-8188
WWW.PARKERCPA.NET

Independent Auditors' Report

To the Board of Directors of
Faith Family Medical Clinic, Inc.

We have audited the accompanying balance sheet of Faith Family Medical Clinic, Inc. (a nonprofit organization) as of December 31, 2009, and the related statements of activities, and cash flows for the year 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 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 Faith Family Medical Clinic, Inc. as of December 31, 2009, 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.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information on pages 11-13 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Parker, Parker & Associates

March 23, 2010

FAITH FAMILY MEDICAL CLINIC, INC.
Statement of Financial Position
December 31, 2009

Assets

Current Assets

Cash and Cash Equivalents	\$ 398,874
Investments	1,366,435
Grants Receivable	162,332
Contributions Receivable	43,080
Accounts Receivable	1,333
Prepaid Expenses	<u>17,014</u>
Total Current Assets	<u>1,989,068</u>

Property & Equipment

Computer Equipment	40,677
Medical Equipment	11,070
Office Equipment	25,353
Building Improvements	108,850
Construction in Progress	<u>120,042</u>
	305,992
Less: Accumulated Depreciation	<u>(139,422)</u>
Total Property & Equipment	<u>166,570</u>

Other Assets

Security Deposits	<u>995</u>
Total Assets	<u><u>\$ 2,156,633</u></u>

Liabilities and Net Assets

Current Liabilities

Accounts Payable	\$ 18,879
Accrued Vacation	<u>37,533</u>
Total Current Liabilities	<u>56,412</u>

Net Assets

Unrestricted	2,067,764
Temporarily Restricted	<u>32,457</u>
Total Net Assets	<u>2,100,221</u>
Total Liabilities and Net Assets	<u><u>\$ 2,156,633</u></u>

See notes to financial statements.

FAITH FAMILY MEDICAL CLINIC, INC.
Statement of Activities
For the Year Ended December 31, 2009

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue and Support			
Medical Services, Net	\$ 222,719	\$ -	\$ 222,719
Contributions	557,869	-	557,869
Grants	439,168	53,913	493,081
Investment Income, Net	282,981	-	282,981
Donated Professional Services	87,923	-	87,923
Donated Rent	61,200	-	61,200
Donated Equipment and Supplies	7,748	-	7,748
Interest and Other Income	16,940	-	16,940
Net Assets Released from Restrictions	32,279	(32,279)	-
Total Revenue and Support	<u>1,708,827</u>	<u>21,634</u>	<u>1,730,461</u>
Expenses			
Program Expenses	<u>1,108,605</u>	<u>-</u>	<u>1,108,605</u>
Supporting Services			
Management and General Expenses	93,692	-	93,692
Fundraising Expenses	88,865	-	88,865
Total Supporting Services	<u>182,557</u>	<u>-</u>	<u>182,557</u>
Total Expenses	<u>1,291,162</u>	<u>-</u>	<u>1,291,162</u>
Change in Net Assets	417,665	21,634	439,299
Net Assets - Beginning of Year	<u>1,650,099</u>	<u>10,823</u>	<u>1,660,922</u>
Net Assets - End of Year	<u><u>\$ 2,067,764</u></u>	<u><u>\$ 32,457</u></u>	<u><u>\$ 2,100,221</u></u>

See notes to financial statements.

FAITH FAMILY MEDICAL CLINIC, INC.
Statement of Functional Expenses
For the Year Ended December 31, 2009

		Supporting Services		
	Program Services	Management and General	Fundraising	Total
Advertising	\$ 200	\$ -	\$ -	\$ 200
Bad Debt	323	1,035	-	1,358
Compensation and Benefits	779,355	-	-	779,355
Contract Labor	41,040	-	-	41,040
Donated Services and Supplies	94,470	-	-	94,470
Dues and Subscriptions	-	3,768	-	3,768
Equipment and Computer Repair	6,533	-	-	6,533
Fees and Licenses	2,167	-	-	2,167
Fundraising	-	-	88,865	88,865
Insurance	17,453	5,294	-	22,747
Lab Services	47,373	-	-	47,373
Loss on Disposal of Fixed Assets	-	1,578	-	1,578
Maintenance	5,263	-	-	5,263
Meals and Entertainment	-	2,839	-	2,839
Miscellaneous	1,180	9,680	-	10,860
Office Cleaning	5,460	-	-	5,460
Postage and Handling	-	3,826	-	3,826
Professional Fees	11,574	31,663	-	43,237
Rent - Building	61,202	-	-	61,202
Rent - Equipment	3,411	-	-	3,411
Supplies - Medical	23,019	-	-	23,019
Supplies - Office	-	12,627	-	12,627
Utilities	8,582	-	-	8,582
Total Before Depreciation	1,108,605	72,310	88,865	1,269,780
Depreciation	-	21,382	-	21,382
Total Expenses	<u>\$ 1,108,605</u>	<u>\$ 93,692</u>	<u>\$ 88,865</u>	<u>\$ 1,291,162</u>

See notes to financial statements.

FAITH FAMILY MEDICAL CLINIC, INC.
Statement of Cash Flows
For the Year Ended December 31, 2009

Cash Flows from Operating Activities

Increase in Net Assets	\$ 439,299
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by Operating Activities:	
Depreciation	21,382
Loss on Disposal of Fixed Assets	1,578
Donated Property and Equipment	(1,200)
Donated Investments	(1,631)
Loss on Sale of Investments	4,427
Unrealized Gain on Investments	(254,117)
Increase in Grants Receivable	(24,307)
Decrease in Contributions Receivable	35,046
Increase in Accounts Receivable	(874)
Increase in Prepaid Expenses	(2,032)
Increase in Security Deposits	(995)
Decrease in Accounts Payable	(10,308)
Decrease in Payable to State of Tennessee	(114,675)
Increase in Accrued Vacation	2,267
Decrease in Deferred Revenue	(30)
Total Adjustments	<u>(345,469)</u>
Net Cash Provided by Operating Activities	<u>93,830</u>

Cash Flows from Investing Activities

Proceeds from the Sale of Investments	206,579
Payments for the Purchase of Property and Equipment	(127,780)
Payments for the Purchase of Investments	(183,250)
Dividends (Re-Invested)	<u>(27,659)</u>
Net Cash Used by Investing Activities	<u>(132,110)</u>

Net Decrease in Cash and Cash Equivalents (38,280)

Cash and Cash Equivalents - Beginning of Year 437,154

Cash and Cash Equivalents - End of Year \$ 398,874

See notes to financial statements.

FAITH FAMILY MEDICAL CLINIC, INC.
Notes to Financial Statements
December 31, 2009

Note 1. Summary of Significant Accounting Policies

A. Organization and Nature of Activities

Faith Family Medical Clinic is organized under the laws of the State of TN to provide primary medical care and related healthcare services to working uninsured individuals and their families in the greater Nashville area. Faith Family is a 501(c)(3) organization and is not subject to federal income taxes. Faith Family funds its operations from patient fees, contributions, grants and investment income.

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

Financial statement presentation is reported in accordance with the FASB Accounting Standards Codification for *Presentation of Financial Statements, Not-For-Profit Entities*. Under those provisions, net assets and revenues, gains, and losses are classified based on the absence or existence and nature of donor-imposed restrictions as follows:

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 can be fulfilled by actions of the Clinic pursuant to those stipulations or that expire by the passage of time.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that may be maintained permanently by the Clinic. Generally, the donors of such assets permit the Clinic to use all or part of the income earned on the assets.

D. 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 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, money market, and investments with initial maturities of three months or less.

F. Contributions Receivable

Contributions receivable are recorded at fair value for all unconditional promises to give. Management has evaluated the collectability of contributions receivable based on historical data and collections subsequent to year end and has determined that an allowance for uncollectible contributions is not necessary.

G. Accounts Receivable

Accounts receivable consists of amounts due from patients for services provided by the Clinic. Management considers the balances to be fully collectible based on historical experience. Therefore, an allowance for uncollectible accounts has not been established.

H. Property and Equipment

It is the Clinic's policy to capitalize property and equipment over \$1,000. Purchased property and equipment are recorded at cost if purchased or fair market value if donated. Depreciation is provided using the double-declining balance and straight-line methods over the estimated useful lives of the assets ranging from 3 to 10 years. Repairs and maintenance are expensed as incurred. Total depreciation expense for the year ended December 31, 2009 is \$21,382.

FAITH FAMILY MEDICAL CLINIC, INC.
Notes to Financial Statements - Continued
December 31, 2009

Note 1. Summary of Significant Accounting Policies – Continued

I. Fair Market Value

Management has adopted the *Fair Value Measurements and Disclosures* topic of the FASB Accounting Standards Codification for determining fair value of financial assets and liabilities that are required to be carried at such amounts. Fair value is required to be evaluated and adjusted according to the following valuation techniques:

Level 1: Fair value is determined using quoted market prices in active markets for identical assets and liabilities.

Level 2: Fair value is determined using quoted market prices in active markets for similar assets and liabilities.

Level 3: Fair value is determined using unobservable market prices in a market that is typically inactive.

J. Accrued Vacation

Employees earn vacation after completing three months of service. Part-time employees earn vacation on a pro-rata basis based on the number of hours worked. Full-time employees earn vacation as follows:

1-5 Years	10 days per year
5 Years +	15 days per year

No more than twice the amount of annual vacation days earned may accrue at any one time. At December 31, 2009, accrued vacation is \$37,533.

K. Income Taxes

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

L. Medical Services Revenue

Medical services revenue is recorded at the Clinic's established rates with charity allowances deducted to arrive at net medical services revenue.

M. Contributions

Contributions are received and recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. The Clinic reports restricted gifts of cash and other assets as support for future periods. When a donor 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. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

Contributed goods and assets are recorded at fair market 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.

Contributed services are reflected in the financial statements at the fair value of the services received only when those services either (a) create or enhance nonfinancial assets, or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

N. Functional Expenses

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

FAITH FAMILY MEDICAL CLINIC, INC.
Notes to Financial Statements - Continued
December 31, 2009

Note 1. Summary of Significant Accounting Policies – Continued

O. Advertising Costs

Advertising costs are charged to operations when incurred. Advertising expense is \$200 for the year ended December 31, 2009.

Note 2. Investments

Investments at December 31, 2009 are as follows:

	Cost	Fair Market Value	Cumulative Unrealized Loss
Equity Securities	\$ 995,270	\$ 844,080	\$ (151,190)
Corporate Bonds	534,843	522,354	(12,489)
	<u>\$ 1,530,113</u>	<u>\$ 1,366,435</u>	<u>\$ (163,679)</u>

Investment income for the year ended December 31, 2009 consists of the following:

Realized Loss, Net	\$ (4,532)
Unrealized Gain, Net	254,118
Interest and Dividend Income	33,395
Total Investment Income	<u>\$ 282,981</u>

Note 3. Grants and Contributions Receivable and Temporarily Restricted Net Assets

The amounts of grants and contributions receivable as of December 31, 2009 are as follows:

Unrestricted	\$ 172,955
Temporarily Restricted for Program Services	32,457
	<u>205,412</u>
Less:	
Discounts for the Time Value of Money	-
Grants and Contributions Receivable, Net	<u>\$ 205,412</u>

Future collections of grants and contributions as of December 31, 2009 are as follows:

Grants Receivable in Less than One Year	\$ 162,332
Contributions Receivable in Less than One Year	43,080
Receivable in Less than One Year	<u>\$ 205,412</u>

Note 4. Fair Value Measurements

The following assets carried at fair value are reviewed and adjusted on a recurring basis:

Asset	Fair Value December 31, 2009	Quoted Prices in Active Markets for Identical Assts (Level 1)	Significant Unobservable Inputs (Level 3)
Investments	\$ 1,366,435	\$ 1,366,435	\$ -
Grants Receivable, Net	\$ 162,332	\$ -	\$ 162,332
Contribution Receivable, Net	\$ 43,080	\$ -	\$ 43,080

FAITH FAMILY MEDICAL CLINIC, INC.
Notes to Financial Statements - Continued
December 31, 2009

Note 4. Fair Value Measurements - Continued

The fair value of contributions receivable is estimated as the present value of expected future cash flows. As required by the *Fair Value Measurements and Disclosures* topic of the FASB Accounting Standards Codification, a reconciliation of the beginning to ending balance of contributions receivable follows:

Grants Receivable, Net - January 1, 2009	\$ 138,025
Increases:	
New Grants	398,313
Decreases:	
Payments on Grants	(374,006)
Grants Receivable, Net - December 31, 2009	<u>\$ 162,332</u>
Contributions Receivable, Net - January 1, 2009	\$ 78,126
Increases:	
New Contributions	97,168
Decreases:	
Payments on Contributions	(131,179)
Write-Offs	(1,035)
Contributions Receivable, Net - December 31, 2009	<u>\$ 43,080</u>

Note 5. Conditional Promise to Give

The Clinic has been awarded a Health Care Safety Net Primary Care Service grant totaling \$271,500 from the State of Tennessee, Department of Health. Under this grant, the Clinic must provide an estimated 10,860 primary medical encounters to uninsured adult Tennesseans nineteen through sixty-four years of age during the period from July 1, 2009 to June 30, 2010. As of December 31, 2009, \$124,875 of this grant has been earned and recorded as a receivable.

Note 6. Donated 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 December 31, 2009 is as follows:

Revenues

Donated Professional Services	\$ 87,923
Donated Property and Equipment	1,200
Donated Supplies	6,548
Donated Rent	61,200
	<u>\$ 156,871</u>

Expenses and Assets

Donated Professional Services	\$ 87,923
Donated Property and Equipment	1,200
Donated Supplies	6,548
Donated Rent	61,200
	<u>\$ 156,871</u>

FAITH FAMILY MEDICAL CLINIC, INC.
Notes to Financial Statements - Continued
December 31, 2009

Note 7. Pension Plan

The Clinic has a simplified employee pension plan (SEP) for the benefit of its employees who have attained the age of eighteen and been employed with the Clinic for one year. The plan provides for discretionary contributions by the Clinic determined annually by the Board. Contributions to the plan are made in accordance with the Internal Revenue Service limits. For the year ended December 31, 2009, the Clinic funded 6% of compensation for eligible employees for a total of \$33,020.

Note 8. Operating Leases

The Clinic leases a medical office building from Baptist Hospital. The building is located at 326 21st Avenue North in Nashville, Tennessee. The building consists of 3,400 square feet. The Clinic has negotiated a five year lease expiring on December 31, 2012 for \$1 per year. The fair market retail value of the building is \$18 per square foot or \$61,200 per year.

In December 2009, the Clinic negotiated a lease on an apartment that will serve as additional office space. The lease commences in January 2010 and expires in December 2012. Rent expense for the first year is \$995 per month and increases incrementally each year thereafter.

The following is a schedule of future year's minimum rental payments required under operating leases that have initial or remaining noncancelable base terms in excess of one year as of December 31, 2009:

Year Ending December 31	Amount
2010	\$ 11,941
2011	12,541
2012	13,141
Total	<u>\$ 37,623</u>

Rental expense for all operating leases for the year ended December 31, 2009 is \$61,200.

Note 9. Concentration of Risk

The Clinic holds cash with one financial institution in Nashville, Tennessee. Accounts at the institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At December 31, 2009, the Clinic's cash accounts exceeded the insurance coverage by \$102,421. The Clinic believes it is not exposed to any significant credit risk on cash and equivalents.

The Clinic has a concentration of risk related to revenue. Revenue earned from one source during the year ended December 31, 2009 was 15% of total revenue.

Note 10. Related Party

During the year ended December 31, 2009, a company managed by a board member of the Clinic donated patient assessment services valued at \$27,285.

Note 11. Correction of an Error

During the year ended December 31, 2009, an error was discovered affecting grant revenue. Net assets at January 1, 2008 were decreased \$114,675 and the change in net assets for the year ended December 31, 2008 decreased \$44,925.

Note 12. Subsequent Events

The Clinic has evaluated events and transactions for subsequent events that would impact the financial statements for the year ended December 31, 2009 through March 23, 2010, the date the financial statements were available to be issued. There were no subsequent events that require recognition or disclosure in the financial statements.

Supplemental Information

FAITH FAMILY MEDICAL CLINIC, INC.
Statements of Financial Position
December 31, 2009 and 2008

	2009	(Restated) 2008
Assets		
Current Assets		
Cash and Cash Equivalents	\$ 398,874	\$ 437,154
Investments	1,366,435	1,110,784
Grants Receivable	162,332	138,025
Contributions Receivable	43,080	78,126
Accounts Receivable	1,333	459
Prepaid Expenses	17,014	14,982
Total Current Assets	<u>1,989,068</u>	<u>1,779,530</u>
Property & Equipment		
Computer Equipment	40,677	37,957
Medical Equipment	11,070	21,760
Office Equipment	25,353	25,353
Building Improvements	108,850	108,850
Construction in Progress	120,042	-
	<u>305,992</u>	<u>193,920</u>
Less: Accumulated Depreciation	<u>(139,422)</u>	<u>(133,370)</u>
Total Property & Equipment	<u>166,570</u>	<u>60,550</u>
Other Assets		
Security Deposits	<u>995</u>	<u>-</u>
Total Assets	<u><u>\$ 2,156,633</u></u>	<u><u>\$ 1,840,080</u></u>
Liabilities and Net Assets		
Current Liabilities		
Accounts Payable	\$ 18,879	\$ 29,187
Payable to State of Tennessee	-	114,675
Accrued Vacation	37,533	35,266
Deferred Revenue	<u>-</u>	<u>30</u>
Total Current Liabilities	<u>56,412</u>	<u>179,158</u>
Net Assets		
Unrestricted	2,067,764	1,650,099
Temporarily Restricted	<u>32,457</u>	<u>10,823</u>
Total Net Assets	<u>2,100,221</u>	<u>1,660,922</u>
Total Liabilities and Net Assets	<u><u>\$ 2,156,633</u></u>	<u><u>\$ 1,840,080</u></u>

See auditors' report.

FAITH FAMILY MEDICAL CLINIC, INC.
Statements of Activities
For the Years Ended December 31, 2009 and 2008

	2009			(Restated) 2008		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenue and Support						
Medical Services, Net	\$ 222,719	\$ -	\$ 222,719	\$ 195,193	\$ -	\$ 195,193
Contributions	557,869	-	557,869	526,159	17,392	543,551
Grants	439,168	53,913	493,081	434,550	-	434,550
Investment Income (Loss), Net	282,981	-	282,981	(360,958)	-	(360,958)
Donated Professional Services	87,923	-	87,923	47,004	-	47,004
Donated Rent	61,200	-	61,200	61,200	-	61,200
Donated Equipment and Supplies	7,748	-	7,748	21,545	-	21,545
Interest and Other Income	16,940	-	16,940	6,883	-	6,883
Net Assets Released from Restrictions	32,279	(32,279)	-	6,569	(6,569)	-
Total Revenue and Support	1,708,827	21,634	1,730,461	938,145	10,823	948,968
Expenses						
Program Expenses	1,108,605	-	1,108,605	1,028,933	-	1,028,933
Supporting Services						
Management and General Expenses	93,692	-	93,692	105,763	-	105,763
Fundraising Expenses	88,865	-	88,865	80,226	-	80,226
Total Supporting Services	182,557	-	182,557	185,989	-	185,989
Total Expenses	1,291,162	-	1,291,162	1,214,922	-	1,214,922
Change in Net Assets	417,665	21,634	439,299	(276,777)	10,823	(265,954)
Net Assets - Beginning of Year	1,650,099	10,823	1,660,922	1,926,876	-	1,926,876
Net Assets - End of Year	\$ 2,067,764	\$ 32,457	\$ 2,100,221	\$ 1,650,099	\$ 10,823	\$ 1,660,922

See auditors' report.

FAITH FAMILY MEDICAL CLINIC, INC.
Notes to Supplemental Information
December 31, 2009

Note 1. Correction of an Error

During the year ended December 31, 2009, an error was discovered affecting grant revenue. The 2008 supplemental information was restated to decrease grant revenue by \$44,925 and increase the payable to the State of Tennessee by \$114,675. Total restatements resulted in a change to grant revenue from \$479,475 to \$434,550 and the payable to the State of Tennessee from \$0 to \$114,675. Also, net assets at January 1, 2008 were decreased \$69,750, the change in net assets for the year ended December 31, 2008 decreased \$44,925 and net assets as of December 31, 2008 decreased \$114,675.