

# 2013

## Financial Statements

**INTERFAITH DENTAL CLINIC OF NASHVILLE**

**FINANCIAL STATEMENTS**

**WITH SUPPLEMENTARY INFORMATION**

**JUNE 30, 2013**

(With Independent Auditor's Report Thereon)



## PATTERSON, HARDEE & BALLENTINE, P.C.

Certified Public Accountants

### INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
of the Interfaith Dental Clinic of Nashville

We have audited the accompanying financial statements of the Interfaith Dental Clinic of Nashville, which comprise the statement of financial position as of June 30, 2013, 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.

#### **Auditor's 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.

#### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Interfaith Dental Clinic of Nashville as of June 30, 2013, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Patterson Hardee & Ballentine*

October 14, 2013

**INTERFAITH DENTAL CLINIC OF NASHVILLE**  
**FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

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**INTERFAITH DENTAL CLINIC OF NASHVILLE**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2013**

**ASSETS**

Current Assets:		
Cash	\$ 556,195	
Accounts receivable, net	220,848	
Inventory	5,000	
Prepaid expenses	8,924	
Total current assets		\$ 790,967
Property and Equipment, net		2,310,241
Security deposit		5,265
Assets Whose Use is Limited:		
Cash	10,746	
Contributions receivable, net	304,794	
Beneficial interest in agency endowment fund held by the Community Foundation of Middle Tennessee	9,620	
Investments	287,212	
Total assets whose use is limited		612,372
Total assets		<u>\$ 3,718,845</u>

**LIABILITIES AND NET ASSETS**

Current Liabilities:		
Accounts payable & accrued expenses	\$ 117,950	
Patient credits	23,020	
Total current liabilities		\$ 140,970
Line of credit payable	615,600	
Total liabilities		756,570
Net Assets:		
Unrestricted:		
Undesignated	2,349,903	
Board-designated	297,958	
Total unrestricted net assets		2,647,861
Restricted Net Assets:		
Temporarily restricted	304,794	
Permanently restricted	9,620	
Total restricted net assets		314,414
Total net assets		<u>2,962,275</u>
Total liabilities and net assets		<u>\$ 3,718,845</u>

See accompanying notes to financial statements.

**INTERFAITH DENTAL CLINIC OF NASHVILLE**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Public Support and Revenue:				
Patient fees	\$ 743,441	\$ -	\$ -	\$ 743,441
Investment income	6,846	-	1,067	7,913
Interest and dividend income	10,806	-	-	10,806
Other income	437	-	-	437
United Way	136,844	-	-	136,844
Government grants	714,000	-	-	714,000
Individual contributions	222,649	178,576	-	401,225
Foundation contributions	295,663	-	-	295,663
Capital campaign	-	2,000	-	2,000
Corporate contributions	42,250	5,000	-	47,250
Church contributions	18,900	2,600	-	21,500
Special event revenue	452,824	-	-	-
Less: cost of direct benefits to donors	<u>(93,599)</u>	359,225	-	359,225
Donated professional services	419,501	-	-	419,501
Donated supplies and equipment	90,188	-	-	90,188
Net assets released resulting from satisfaction of donor restrictions	<u>243,175</u>	<u>(243,175)</u>	<u>-</u>	<u>-</u>
Total public support and revenue	<u>3,303,925</u>	<u>(54,999)</u>	<u>1,067</u>	<u>3,249,993</u>
Expenses:				
Program services				
Dental services	2,498,723	-	-	2,498,723
Supporting Services				
Management and general	100,031	-	-	100,031
Fundraising	<u>324,053</u>	<u>-</u>	<u>-</u>	<u>324,053</u>
Total expenses	<u>2,922,807</u>	<u>-</u>	<u>-</u>	<u>2,922,807</u>
Increase (decrease) in net assets	<u>381,118</u>	<u>(54,999)</u>	<u>1,067</u>	<u>327,186</u>
Net assets - beginning of year	<u>2,266,743</u>	<u>359,793</u>	<u>8,553</u>	<u>2,635,089</u>
Net assets - end of year	<u>\$ 2,647,861</u>	<u>\$ 304,794</u>	<u>\$ 9,620</u>	<u>\$2,962,275</u>

See accompanying notes to financial statements.



**INTERFAITH DENTAL CLINIC OF NASHVILLE**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Program Services</u>	<u>Supporting Services</u>		
	<u>Dental Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 1,134,106	\$ 66,712	\$ 133,424	\$ 1,334,242
Payroll taxes and benefits	194,094	11,417	22,835	228,346
Total payroll and related expenses	\$ 1,328,200	\$ 78,129	\$ 156,259	\$ 1,562,588
Bad debt expense	8,964	-	104,455	113,419
Communication	20,737	471	2,357	23,565
Computer support, upgrades and repairs	16,864	375	1,499	18,738
Continuing education and volunteer and employee recognition	20,532	4,910	2,558	28,000
Contract labor	135	975	2,925	4,035
Dental equipment, repairs and maintenance	9,835	-	-	9,835
Dental lab	152,540	-	-	152,540
Dental supplies	160,833	-	-	160,833
Depreciation and amortization	180,207	3,716	1,858	185,781
Donated dental supplies	46,644	-	-	46,644
Donated professional services	419,501	-	-	419,501
Fundraising	-	-	4,403	4,403
Insurance	17,379	1,861	493	19,733
Interest	23,951	2,254	1,972	28,177
Merchant, bank and investment fees	10,723	429	3,145	14,297
Occupancy	25,590	1,924	3,473	30,987
Office supplies	4,803	686	1,372	6,861
Payroll processing fees	3,106	183	366	3,655
Printing and postage	16,511	1,179	5,897	23,587
Professional services	7,185	2,395	2,395	11,975
Special events	-	-	24,588	24,588
Travel	-	-	1,862	1,862
Utilities	24,483	544	2,176	27,203
	<u>\$ 2,498,723</u>	<u>\$ 100,031</u>	<u>\$ 324,053</u>	<u>\$ 2,922,807</u>

See accompanying notes to financial statements.

**INTERFAITH DENTAL CLINIC OF NASHVILLE**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

Cash Flows From Operating Activities:		
Increase in net assets		\$ 327,186
Adjustments to reconcile increase in net assets to net cash used in operating activities:		
Allowance for doubtful accounts	\$ (9,679)	
Depreciation and amortization	185,781	
Donated patient video software	(29,298)	
Changes in:		
Accounts receivable	40,899	
Prepaid expenses	25	
Security deposit	(3,500)	
Accounts payable & accrued expenses	22,450	
Patient credits	(5,352)	
Asset whose use is limited	(115,064)	
Total adjustments		<u>86,262</u>
Net cash provided by operating activities		<u>413,448</u>
Cash Flows From Investing Activities:		
Purchase of property and equipment	<u>(74,744)</u>	
Net cash used by investing activities		<u>(74,744)</u>
Cash Flows From Financing Activities:		
Net change in line of credit	<u>189,000</u>	
Net cash provided by financing activities		<u>189,000</u>
Net increase in cash		527,704
Cash - beginning of year		<u>28,491</u>
Cash - end of year		<u>\$ 556,195</u>

Supplemental Cash Flow Information

Interest paid during the year ended June 30, 2013, was \$28,177.



**INTERFAITH DENTAL CLINIC OF NASHVILLE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

NOTE 1 - Summary of Significant Accounting Policies

Nature of Activities

In these notes, the terms "Clinic", "we", "us" or "our" mean Interfaith Dental Clinic of Nashville. We are a nonprofit organization dedicated to providing affordable dental care to uninsured working poor families and those over age 65 by providing access to affordable quality dental care, oral disease prevention services, and oral health education. We serve patients in eight Middle Tennessee counties.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, our net assets and changes therein are classified and reported 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 may, or will be, met by our actions 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.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations which require the assets to be permanently maintained. Generally, the donors of these assets permit us to use all or part of the income earned and any related investments for general or specific purposes.

Clinic net assets that are permanently restricted consist of permanent agency endowment funds that are not subject to the Clinic's variance power.

Cash Equivalents

For the purposes of the Statement of Cash Flows, we consider all unrestricted cash and investment instruments purchased with an original maturity date of ninety days or less from the date of issuance to be a cash equivalent. At June 30, 2013, we had no cash equivalents.

Inventory

Inventory consists primarily of donated dental equipment not placed in service, which is recorded at estimated fair value on the date of donation.

Investments

Investments in equity securities with readily determinable fair values, mutual funds and all investments in debt securities are reported at their fair values in the Statement of Financial Position. The fair values for these investments are based on quoted market prices. Donated securities are recognized at the fair value on the date of the contribution. 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.

**INTERFAITH DENTAL CLINIC OF NASHVILLE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

NOTE 1 - Summary of Significant Accounting Policies (continued)

Agency Endowment Fund

Our beneficial interest in an agency endowment fund held by the Community Foundation of Middle Tennessee is recognized as an asset. 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. The beneficial interest has been classified as a permanently restricted net asset on the Statement of Financial Position.

Contributions Receivable

Contributions are recognized when the donor makes a promise to give to us that is, in substance, unconditional. Unconditional promises to give are recorded as temporarily restricted revenue in the year the promise is made and released from restriction in the year received.

Unconditional promises to give due in the next year are reflected as current promises to give and are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reflected as long-term promises to give and are recorded at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the promises are received to discount the amounts.

We use the allowance method to determine uncollectible unconditional promises receivable. The allowance is based on prior years' experience and our analysis of specific promises made. At June 30, 2013, an allowance of \$56,715 was considered necessary.

Property and Equipment

Property and equipment is recorded at cost, or, if donated, at the estimated fair market value at the date of donation. If equipment is donated, the donor can stipulate how long the assets must be used, and the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support. Our capitalization policy is to capitalize any expenditure over \$500 for property and equipment. Depreciation is provided utilizing the straight-line method over the estimated useful lives of the respective assets. Expenditures for repairs and maintenance are charged to expense as incurred.

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. 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.

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. We receive 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. See NOTE 13.



**INTERFAITH DENTAL CLINIC OF NASHVILLE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

NOTE 1 - Summary of Significant Accounting Policies (continued)

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. The market value for services performed during the year ended June 30, 2013 was \$3,596,344. The discount between market value and patient fees recognized fluctuates with patient mix. The majority of patients are charged 20% of market value.

Compensated Absences

Full time employees are defined as those working 30 hours or more per week. Vacation pay is calculated based on each employee's regularly scheduled hours per week and is granted based upon each employee's employment contract.

Functional Allocation of Expenses

The costs of providing program services and supporting services have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Taxes

We are exempt from federal income taxes under Section 501(c) (3) of the Internal Revenue Code and, therefore, no provision for federal income taxes is reflected in the accompanying financial statements. We have been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Internal Revenue Code. We are no longer subject to examination by U.S. federal and state taxing authorities for years ending before 2010. Therefore, no provision for federal income taxes is included in the accompanying financial statements. There was no unrelated business income for the year ended June 30, 2013.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires us to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Fair Values of Financial Instruments

The carrying values of current assets approximate fair values due to short maturities of these instruments.

NOTE 2 - Accounts Receivable

At June 30, 2013, accounts receivable consisted of the following:

Special event receivable	\$ 68,575
Patient accounts receivable	179,370
Government grant receivable	<u>27,780</u>
	275,725
Less: allowance for doubtful accounts	<u>(54,877)</u>
	\$ <u>220,848</u>

**INTERFAITH DENTAL CLINIC OF NASHVILLE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**NOTE 3 - Contributions Receivable**

Each contributions receivable balance is a restricted asset based on the donor's wishes for their promise to give to be used for operations in the year they give the money. See NOTE 10.

Contributions receivable consisted of the following at June 30, 2013:

Due in less than one year	\$ 187,290
Due in one to five years	<u>190,809</u>
	378,099
Less: discounts to net present value	(16,590)
Less: allowance for doubtful accounts	<u>(56,715)</u>
Net contributions receivable	<u>\$ 304,794</u>

Gross contributions have been discounted to account for the time value of money using discount rates ranging from 2.61% to 4.75%. The rates were determined using a risk adjusted discount rate technique after an allowance had been established.

**NOTE 4 - Investments**

We hold investments contributed to the Graham Memorial Fund and the 1998 Building Fund in various equity securities and cash. These investments are carried at the fair market value using quoted market prices.

	<u>Market Value</u>	<u>Cost</u>
Mutual Funds	\$ 287,212	\$ 198,080
Money Market	<u>10,746</u>	<u>10,746</u>
	<u>\$ 297,958</u>	<u>\$ 208,826</u>

Investment income (loss) consisted of the following for the year ended June 30, 2013:

Interest and dividend income	\$ 10,806
Realized and unrealized gain - net	7,913
Investment fees	<u>(4,143)</u>
Investment income (loss) - net	<u>\$ 14,576</u>

**NOTE 5 - Fair Value Measurements**

This standard establishes a framework for measuring fair value and expands disclosures about fair value measurements. The standard defines fair value at the price which would be received to sell an asset in an orderly transaction between market participants at the measurement date. The adoption of the standard had no impact on any investment's financial position or results of operations. The standard applies to all assets and liabilities measured and reported on a fair value basis and enables the reader of the financial statements to assess the inputs used to develop those measurements by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values. The statement requires each asset and liability carried at fair value be classified into one of the following categories:

- Level 1 - Quoted market prices in active markets for identical assets or liabilities
- Level 2 - Observable market based inputs or unobservable inputs corroborated by market data
- Level 3 - Unobservable inputs not corroborated by market data.

**INTERFAITH DENTAL CLINIC OF NASHVILLE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**NOTE 5 - Fair Value Measurements (continued)**

The following table summarizes our financial assets measured at fair value on a recurring basis segregated by level of valuation inputs within the fair value hierarchy utilized to measure fair value as of June 30, 2013:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Contributions receivable, net	\$ 304,794	\$ -	\$ -	\$ 304,794
Investments				
Mutual Funds	287,212	287,212	-	-
Beneficial interest in agency				
Endowment fund held by				
The Community Foundation				
of Middle Tennessee	<u>9,620</u>	<u>-</u>	<u>-</u>	<u>9,620</u>
	<u>\$ 601,626</u>	<u>\$ 287,212</u>	<u>\$ -</u>	<u>\$ 314,414</u>

The Community Foundation of Middle Tennessee was moved from Level 2 to Level 3 to show proper classification of the asset as of June 30, 2013.

The fair value of contributions receivable is estimated as the present value of expected future cash flows. A reconciliation of the beginning to ending balance of contributions receivable is as follows:

Contributions Receivable, net - July 1, 2012	\$ 359,793
Increases:	
New pledges	188,176
Change in discount for the time value of money	428
Decreases:	
Payments on Pledges	(139,148)
Write-offs	(89,608)
Change in Allowance for Uncollectible Receivables	<u>(14,847)</u>
Contributions Receivable, net - June 30, 2013	<u>\$ 304,794</u>

A reconciliation of changes in the amounts reported for The Community Foundation of Middle Tennessee is included in NOTE 11.



**INTERFAITH DENTAL CLINIC OF NASHVILLE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**NOTE 6 - Property and Equipment**

Property and equipment consisted of the following at June 30, 2013:

Land	\$ 318,453
Buildings and improvements	1,869,184
Dental equipment	883,219
Office equipment and software	<u>219,621</u>
	3,290,477
Less accumulated depreciation	<u>(980,236)</u>
Net property and equipment	<u>\$ 2,310,241</u>

Depreciation expense totaled \$183,281 for the year ended June 30, 2013.

**NOTE 7 - Accounts Payable and Accrued Liabilities**

At June 30, 2013, accrued expenses consisted of the following:

Accounts payable	\$ 69,431
Credit card payable	11,432
Wages payable	23,223
Employee deduction payable	844
Accrued liabilities	648
Accrued vacation	10,598
Accrued payroll taxes	<u>1,774</u>
	<u>\$ 117,950</u>

**NOTE 8 - Line of Credit and Note Payable**

We have a line of credit in the amount of \$625,000 with Pinnacle Bank which was refinanced subsequent to year end. See NOTE 17. The refinanced terms converted the line of credit to a note payable with a maturity date of July 30, 2028. When the line of credit was refinanced on July 30, 2013, we paid down the line of credit from \$615,600 to \$400,000. Originally, the line of credit was obtained for the purchase, renovation, staffing, furnishings, and fixtures of the Murfreesboro clinic.

After refinancing in July 2013, the note payable consisted of the following at June 30, 2013:

Note payable to Pinnacle Bank. Principal and interest payments of \$3,125.80 due monthly with remaining balance of principal and interest due July 30, 2028. Interest is charged at 4.75%. Collateral for the note payable consists of a first mortgage on the property located at 1721 Patterson Street in Nashville, Tennessee and the new equipment purchased for the Murfreesboro clinic.	
	\$ 400,000
Less: current portion	<u>(17,307)</u>
	<u>\$ 382,693</u>



**INTERFAITH DENTAL CLINIC OF NASHVILLE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

NOTE 8 - Line of Credit and Note Payable (continued)

Annual future maturities of the refinanced note payable are as follows as of July 30, 2013:

Year Ending June 30.

2014	\$ 17,307
2015	19,758
2016	20,717
2017	21,723
2018	22,778
Thereafter	<u>297,717</u>
	\$ <u>400,000</u>

NOTE 9 - Unrestricted Net Assets

Board designated net assets are available for the following purposes:

Clinic Emergency and Building Maintenance - This account is intended to provide funds necessary for emergency building maintenance beyond what is budgeted in our fiscal budget. It is also intended to serve as potential seed money for the establishment of an endowment account.

Graham Memorial Fund - This fund is for the specific purpose of offsetting the cost of care for those patients who are unable to meet the 20% pay requirement, ensuring the proceeds are used directly for patient care. On the first of the month of the last month of the quarter, a rolling 5% will be calculated and sent to the clinic and deposited into the operating account before the last day of the quarter.

A summary of board designated net assets at June 30, 2013, is as follows:

Clinic emergency and building maintenance	\$ 196,254
Graham Memorial Fund	<u>101,704</u>
	\$ <u>297,958</u>

NOTE 10 - Temporarily Restricted Net Assets

Temporarily restricted net assets consisted of the following at June 30, 2013:

Time restricted pledged contributions	\$ <u>304,794</u>
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NOTE 11 - Permanently Restricted Net Assets

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 there from. The Clinic retains a beneficial interest in the endowment fund held by the Community Foundation. 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.

**INTERFAITH DENTAL CLINIC OF NASHVILLE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**NOTE 11 - Permanently Restricted Net Assets (continued)**

A schedule of the changes in the Clinic's beneficial interest in this fund for the year ended June, 30, 2013, is as follows:

Beneficial Interest - July 1, 2012	\$ <u>8,553</u>
Change in Value of Beneficial Interest:	
Realized gain	288
Unrealized gain	700
Interest and dividends	150
Investment fees	(33)
Administrative expense	<u>(38)</u>
	<u>1,067</u>
Beneficial Interest - June 30, 2013	\$ <u><u>9,620</u></u>

Permanently restricted net assets consisted of the following at June 30, 2013:

Beneficial interest in agency endowment fund	\$ <u>9,620</u>
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See NOTE 5 for the fair value measurement of The Community Foundation of Middle Tennessee.

**NOTE 12 - Net Assets Released from Restrictions**

Net assets are released from donor restrictions when time restrictions specified by the donors have been satisfied. Restricted contributions which have been released to operations as of June 30, 2013 are as follows:

Payments received on pledges	\$ 139,148
Increase in pledge allowance	14,847
Decrease in pledge discount	(428)
Pledge write-offs	<u>89,608</u>
	\$ <u><u>243,175</u></u>

**INTERFAITH DENTAL CLINIC OF NASHVILLE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**NOTE 13 - Contributed Property, Equipment and Services**

Donated property, equipment and services are used in the ongoing operations of our 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, 2013 is as follows:

<b>Revenues</b>		
Donated professional services	\$	419,501
Donated supplies & equipment		51,708
Special events		9,182
Software - donated		29,298
Total	\$	<u>509,689</u>
<b>Expenses</b>		
Donated professional services	\$	419,501
Dental supplies		46,644
Office supplies		30
Repairs and maintenance		5,034
Special events		9,182
Total	\$	<u>480,391</u>
<b>Assets</b>		
Donated patient video software	\$	<u>29,298</u>

**NOTE 14 - Leases**

We leased two copiers under operating leases during the year end June 30, 2013. One copier is for the Murfreesboro, Tennessee location and the minimum monthly rental amount is \$236. Additional amounts due under the lease are based on the number of copies made during the billing period. The second copier is for the Nashville, Tennessee location and the minimum monthly rental amount is \$303. Additional amounts under the lease are based on the number of copies made during the billing period.

The rent expense paid on these two copiers was \$7,762 for the year ended June 30, 2013.

A schedule of future minimum lease payments required under all non-cancelable operating leases as of June 30, 2013, follows:

**Year Ending June 30,**

2014	\$	5,288
2015		3,636
2016		3,636
2017		<u>1,818</u>
	\$	<u>14,378</u>

**INTERFAITH DENTAL CLINIC OF NASHVILLE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**NOTE 15 - Concentrations of Credit Risk**

We maintain cash accounts at financial institutions whose accounts are insured by the Federal Deposit Insurance Corporation up to statutory limits. Our cash balances, at times, may exceed federally insured limits. We have not experienced any losses in such accounts and do not believe that it is exposed to any significant credit risk on our cash.

The Clinic has unsecured promises to give from donors located primarily in the Middle Tennessee region. The gross amount due on unconditional promises to give at June 30, 2013 is \$378,099.

At the year ended June 30, 2013, 25% of our total receivables was comprised of donations from one event.

For the year end June 30, 2013, we received 19% of total revenue and support from the government for TennCare's Electronic Health Record Incentive Program.

**NOTE 16 - Employee Benefit Plan**

We have a 401(k) Retirement Plan for all eligible employees. Employees age 21 or older become eligible to participate in the plan after one year 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.

We match the first 3% of the a participant's salary dollar for dollar and 50 cents on the dollar on the next 2% of the salary, totaling to a maximum of 4%. Participants must contribute 5% of their annual salary to get the full 4% match. Our total matching contributions for the year ended June 30, 2013 was \$34,840.

We may also make discretionary contributions to the retirement plan. For the year ended June 30, 2013, we made no discretionary contributions.

**NOTE 17 - Subsequent Events**

On July 30, 2013, we refinanced the line of credit and converted it to a note payable with a maturity date of July 30, 2028. See NOTE 8.

We have evaluated events subsequent to the year ending June 30, 2013, through October 14, 2013, the date that the financial statements were available to be issued.





**PATTERSON, HARDEE & BALLENTINE, P.C.**

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT  
ON SUPPLEMENTARY INFORMATION

To the Board of Directors  
Interfaith Dental Clinic of Nashville

We have audited the financial statements of Interfaith Dental Clinic of Nashville as of and for the year ended June 30, 2013, and have issued our report thereon dated October 14, 2013, which contained an unqualified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The Statement of Activities by Location is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Patterson Hardee & Ballentine*

October 14, 2013

**INTERFAITH DENTAL CLINIC OF NASHVILLE**  
**STATEMENT OF ACTIVITIES BY LOCATION**  
**FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Greater Nashville</u>	<u>Rutherford Office</u>	<u>Total</u>
Public Support and Revenue:			
Church contributions	\$ 19,400	\$ 2,100	\$ 21,500
Capital campaign	-	2,000	2,000
Corporate contributions	35,800	11,450	47,250
Donated professional services	353,225	66,276	419,501
Donated supplies and equipment	56,201	33,987	90,188
Foundation contributions	274,470	21,193	295,663
Government grants	638,350	75,650	714,000
Individual contributions	266,915	134,310	401,225
Interest and dividend income	10,805	1	10,806
Investment income	7,913	-	7,913
Other income	437	-	437
Patient fees	569,299	174,142	743,441
Special event revenue	309,800	49,425	359,225
United Way	133,751	3,093	136,844
Total public support and revenue	<u>2,676,366</u>	<u>573,627</u>	<u>3,249,993</u>
Expenses:			
Bad debt expense	101,009	12,410	113,419
Communication	13,368	10,197	23,565
Computer support, upgrades and repairs	12,706	6,032	18,738
Continuing education and volunteer and employee recognition	24,197	3,803	28,000
Contract labor	3,453	582	4,035
Dental equipment, repairs and maintenance	9,595	240	9,835
Dental lab	123,175	29,365	152,540
Dental supplies	119,421	41,412	160,833
Depreciation and amortization	66,250	119,531	185,781
Donated dental supplies	27,337	19,307	46,644
Donated professional services	353,225	66,276	419,501
Fundraising	2,938	1,465	4,403
Insurance	17,786	1,947	19,733
Interest	-	28,177	28,177
Merchant, bank and investment fees	12,872	1,425	14,297
Occupancy	14,958	16,029	30,987
Office supplies	5,452	1,409	6,861
Payroll processing fees	2,741	914	3,655
Payroll taxes and benefits	188,304	40,042	228,346
Printing and postage	19,007	4,580	23,587
Professional services	10,975	1,000	11,975
Salaries	1,043,086	291,156	1,334,242
Special events	24,479	109	24,588
Travel	932	930	1,862
Utilities	20,164	7,039	27,203
Total expenses	<u>2,217,430</u>	<u>705,377</u>	<u>2,922,807</u>
Increase (decrease) in net assets	<u>\$ 458,936</u>	<u>\$ (131,750)</u>	<u>\$ 327,186</u>