

FAITH FAMILY MEDICAL CLINIC, INC.
Financial Statements
December 31, 2011 and 2010

Contents

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

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

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 statement of financial position of Faith Family Medical Clinic, Inc. (a nonprofit corporation) as of December 31, 2011 and 2010, 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 Faith Family Medical Clinic, Inc. as of December 31, 2011 and 2010, 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

February 22, 2012

FAITH FAMILY MEDICAL CLINIC, INC.
Statements of Financial Position
December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Assets		
Current Assets		
Cash	\$ 483,119	\$ 565,524
Investments	1,483,794	1,526,203
Grants Receivable	103,400	123,773
Contributions Receivable	52,972	75,564
Accounts Receivable	7,537	4,220
Prepaid Expenses	12,325	26,287
Total Current Assets	<u>2,143,147</u>	<u>2,321,571</u>
Property & Equipment		
Computer Equipment	150,816	63,590
Medical Equipment	19,227	11,070
Office Equipment	35,709	35,353
Building Improvements	143,447	140,354
	<u>349,199</u>	<u>250,367</u>
Less: Accumulated Depreciation	<u>(148,359)</u>	<u>(95,181)</u>
Total Property & Equipment	<u>200,840</u>	<u>155,186</u>
Other Assets		
Deposits	<u>6,250</u>	<u>995</u>
Total Assets	<u><u>\$ 2,350,237</u></u>	<u><u>\$ 2,477,752</u></u>
Liabilities and Net Assets		
Current Liabilities		
Accounts Payable	\$ 32,684	\$ 49,820
Earned Time Off	52,988	58,533
Accrued Payroll and Taxes	10,430	-
Current Portion of Note Payable	57,000	-
Total Current Liabilities	<u>153,102</u>	<u>108,353</u>
Long Term Liabilities		
Note Payable	114,000	171,000
Total Long Term Liabilities	<u>114,000</u>	<u>171,000</u>
Net Assets		
Unrestricted	1,994,890	2,121,415
Temporarily Restricted	88,245	76,984
Total Net Assets	<u>2,083,135</u>	<u>2,198,399</u>
Total Liabilities and Net Assets	<u><u>\$ 2,350,237</u></u>	<u><u>\$ 2,477,752</u></u>

See notes to financial statements.

FAITH FAMILY MEDICAL CLINIC, INC.
Statements of Activities
For the Years Ended December 31, 2011 and 2010

	2011			2010		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenue and Support						
Medical Services, Net	\$ 214,515	\$ -	\$ 214,515	\$ 264,845	\$ -	\$ 264,845
Contributions	626,986	20,003	646,989	559,298	110	559,408
Grants	511,286	94,304	605,590	406,235	113,105	519,340
Investment Income (Loss), Net	(41,012)	-	(41,012)	160,980	-	160,980
Donated Professional Services	72,305	-	72,305	79,681	-	79,681
Donated Rent	61,200	-	61,200	61,200	-	61,200
Donated Equipment and Supplies	4,250	-	4,250	25,576	-	25,576
Interest and Other Income	26,888	-	26,888	25,952	-	25,952
Net Assets Released from Restrictions	103,046	(103,046)	-	68,688	(68,688)	-
Total Revenue and Support	1,579,464	11,261	1,590,725	1,652,455	44,527	1,696,982
Expenses						
Program Expenses	1,396,084	-	1,396,084	1,243,976	-	1,243,976
Supporting Services						
Management and General Expenses	141,420	-	141,420	153,244	-	153,244
Fundraising Expenses	168,485	-	168,485	156,859	-	156,859
Total Supporting Services	309,905	-	309,905	310,103	-	310,103
Total Expenses	1,705,989	-	1,705,989	1,554,079	-	1,554,079
Change in Net Assets	(126,525)	11,261	(115,263)	98,376	44,527	142,903
Net Assets - Beginning of Year	2,121,415	76,984	2,198,399	2,023,039	32,457	2,055,496
Net Assets - End of Year	\$ 1,994,890	\$ 88,245	\$ 2,083,135	\$ 2,121,415	\$ 76,984	\$ 2,198,399

See notes to financial statements.

FAITH FAMILY MEDICAL CLINIC, INC.
Statements of Functional Expenses
For the Years Ended December 31, 2011 and 2010

	2011				2010			
	Supporting Services		Program Services	Total	Supporting Services		Program Services	Total
	Management and General	Fundraising			Management and General	Fundraising		
	\$	\$	\$	\$	\$	\$	\$	\$
Advertising	730	-	730	730	1,256	-	1,256	1,256
Bad Debt	2,560	614	3,174	3,174	585	929	1,514	1,514
Building Repairs and Maintenance	11,663	1,645	14,953	14,953	12,359	1,743	15,845	15,845
Salaries	751,569	85,193	896,905	896,905	653,535	77,986	768,736	768,736
Taxes	68,717	6,517	79,835	79,835	55,142	2,847	63,955	63,955
Benefits	103,888	7,944	118,297	118,297	97,404	4,562	108,806	108,806
Contract Labor	15,256	1,478	17,222	17,222	16,326	707	21,383	21,383
Donated Services and Supplies	69,627	2,242	71,869	71,869	78,501	-	78,501	78,501
Dues and Subscriptions	3,718	451	7,487	7,487	3,346	2,140	6,679	6,679
EMR Training Expense	43,105	-	43,105	43,105	-	-	-	-
Equipment Repairs and Maintenance	16,959	1,229	21,315	21,315	10,515	1,872	14,590	14,590
Fees and Licenses	1,580	124	2,004	2,004	2,347	300	2,689	2,689
Fundraising	-	-	71,169	71,169	-	86,114	86,114	86,114
Insurance	17,028	561	18,239	18,239	23,530	492	24,623	24,623
Lab Services	41,971	-	41,971	41,971	49,403	-	49,403	49,403
Loss on Disposal of Fixed Assets	-	728	728	728	-	21,110	21,110	21,110
Meals and Entertainment	-	3,966	714	4,680	-	2,263	2,382	2,382
Medical Subscription Fees	3,771	-	3,771	3,771	7,500	119	7,500	7,500
Miscellaneous	8,289	3,324	12,775	12,775	11,472	124	15,992	15,992
Postage and Handling	2,779	-	3,490	3,490	3,478	760	4,238	4,238
Professional Fees	39,505	13,673	54,389	54,389	44,090	15,981	61,150	61,150
Rent - Building	57,517	8,111	73,739	73,739	57,050	8,046	73,142	73,142
Rent - Equipment	3,659	-	3,659	3,659	2,502	-	2,502	2,502
Supplies - Medical	16,924	-	16,924	16,924	24,075	-	24,075	24,075
Supplies - Office	13,463	1,188	15,839	15,839	17,745	1,566	20,877	20,877
Utilities	10,903	1,538	13,979	13,979	9,956	1,404	12,764	12,764
Wellness	36,958	-	36,958	36,958	16,388	-	16,388	16,388
Total Before Depreciation	1,342,139	140,001	1,649,206	1,649,206	1,198,505	152,047	1,506,214	1,506,214
Depreciation	53,945	1,419	56,783	56,783	45,471	1,197	47,865	47,865
Total Expenses	\$ 1,396,084	\$ 141,420	\$ 1,705,989	\$ 1,705,989	\$ 1,243,976	\$ 153,244	\$ 1,554,079	\$ 1,554,079

See notes to financial statements.

FAITH FAMILY MEDICAL CLINIC, INC.
Statements of Cash Flows
For the Years Ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Cash Flows from Operating Activities		
(Decrease) Increase in Net Assets	\$ (115,263)	\$ 142,903
Adjustments to Reconcile (Decrease)/Increase in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	56,785	47,864
Loss on Disposal of Fixed Assets	728	21,110
Donated Property and Equipment	(3,549)	(23,706)
Donated Investments	(7,740)	(9,298)
(Gain) Loss on Sale of Investments	(2,825)	27,462
Unrealized (Gain) Loss on Investments	74,007	(155,742)
(Increase) Decrease in:		
Grants Receivable	20,373	38,559
Contributions Receivable	22,592	(32,484)
Accounts Receivable	(3,318)	(2,887)
Prepaid Expenses	13,962	(9,273)
Deposits	(5,255)	-
Increase (Decrease) in:		
Accounts Payable	(17,137)	30,941
State of Tennessee	-	(44,725)
Earned Time Off	(5,545)	21,000
Accrued Payroll and Taxes	10,430	-
Total Adjustments	<u>153,508</u>	<u>(91,179)</u>
Net Cash Provided by Operating Activities	<u>38,245</u>	<u>51,724</u>
Cash Flows from Investing Activities		
Proceeds from the Sale of Investments	223,689	264,066
Payments for the Purchase of Property and Equipment	(99,618)	(33,884)
Payments for the Purchase of Investments	(215,944)	(255,203)
Dividends (Re-Invested)	<u>(28,777)</u>	<u>(31,053)</u>
Net Cash Used by Investing Activities	<u>(120,650)</u>	<u>(56,074)</u>
Cash Flows from Financing Activities		
Proceeds from issuance of Note Payable	<u>-</u>	<u>171,000</u>
Net Cash Provided by Financing Activities	<u>-</u>	<u>171,000</u>
Net Increase (Decrease) in Cash	(82,405)	166,650
Cash - Beginning of Year	<u>565,524</u>	<u>398,874</u>
Cash - End of Year	<u><u>\$ 483,119</u></u>	<u><u>\$ 565,524</u></u>

See notes to financial statements.

FAITH FAMILY MEDICAL CLINIC, INC.
Notes to Financial Statements
December 31, 2011 and 2010

Note 1. Summary of Significant Accounting Policies

A. Organization and Nature of Activities

Faith Family Medical Clinic ("the 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 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. There are no cash equivalents at December 31, 2011 and 2010.

F. Contributions and Grants Receivable

Contributions and grants 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. An allowance for doubtful accounts is established based on review of collection history. Receivables are written off when a balance is determined to be uncollectible, generally when it is past due for more than one year. Management has determined that an allowance for uncollectible accounts is not necessary.

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 years ended December 31, 2011 and 2010 is \$56,783 and \$47,864.

FAITH FAMILY MEDICAL CLINIC, INC.
Notes to Financial Statements - Continued
December 31, 2011 and 2010

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. Earned Time Off

Employees earn leave beginning with the pay period they are hired. Eligible part-time employees earn leave on a pro-rata basis based on the number of hours worked. Full-time employees earn leave as follows:

<u>Employees hired December 31, 2009 and prior:</u>	<u>Days per Year</u>
Up to five years consecutive service	30
Five to ten years consecutive service	35
Ten years of consecutive service and subsequent	40
 <u>Employees hired January 1, 2010 and subsequent:</u>	 <u>Days per Year</u>
Up to five years consecutive service	25
Five to ten years consecutive service	30
Ten years of consecutive service and subsequent	35

No more than one and one-half the amount of annual leave hours earned may accrue at any one time. At December 31, 2011 and 2010, earned time off is \$52,988 and \$58,533.

K. Income Taxes

The Clinic is a nonprofit corporation 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.

FAITH FAMILY MEDICAL CLINIC, INC.
Notes to Financial Statements - Continued
December 31, 2011 and 2010

Note 1. Summary of Significant Accounting Policies – Continued

M. Contributions - Continued

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.

O. Advertising Costs

Advertising costs are charged to operations when incurred. Advertising expense is \$730 and \$1,256 for the years ended December 31, 2011 and 2010.

P. Reclassifications

Certain reclassifications have been made to the 2010 financial statements to conform to the 2011 presentation.

Note 2. Investments

Investments at December 31, 2011 and 2010 are as follows:

2011			
	Cost	Fair Market Value	Cumulative Unrealized Loss
Equity Securities	\$ 958,452	\$ 879,383	\$ (79,070)
Corporate Bonds	607,285	604,412	(2,874)
	<u>\$ 1,565,738</u>	<u>\$ 1,483,794</u>	<u>\$ (81,943)</u>

2010			
	Cost	Fair Market Value	Unrealized Loss
Equity Securities	\$ 907,924	\$ 901,505	\$ (6,419)
Corporate Bonds	626,216	624,698	(1,518)
	<u>\$ 1,534,140</u>	<u>\$ 1,526,203</u>	<u>\$ (7,937)</u>

Investment income for the years ended December 31, 2011 and 2010 consist of the following:

	2011	2010
Realized Loss, Net	\$ 2,825	\$ (27,462)
Unrealized Gain, Net	(74,007)	155,741
Interest and Dividend Income	30,170	32,700
Total Investment Income	<u>\$ (41,012)</u>	<u>\$ 160,980</u>

FAITH FAMILY MEDICAL CLINIC, INC.
Notes to Financial Statements - Continued
December 31, 2011 and 2010

Note 3. Grants and Contributions Receivable

The amounts of grants and contributions receivable as of December 31, 2011 and 2010 are as follows:

	2011	2010
Unrestricted	\$ 68,127	\$ 122,354
Temporarily Restricted for Program Services	88,245	76,984
	<u>156,372</u>	<u>199,338</u>
Less:		
Discounts for the Time Value of Money	-	-
Grants and Contributions Receivable, Net	<u>\$ 156,372</u>	<u>\$ 199,338</u>

Future collections of grants and contributions as of December 31, 2011 and 2010 are as follows:

	2011	2010
Grants Receivable in Less than One Year	\$ 103,400	\$ 123,773
Contributions Receivable in Less than One Year	52,972	75,564
Receivable in Less than One Year	<u>\$ 156,372</u>	<u>\$ 199,338</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, 2011	Quoted Prices in Active Markets for Identical Assts (Level 1)
Investments	\$ 1,483,794	\$ 1,483,794
Grants Receivable	103,400	103,400
Contributions Receivable	52,972	52,972

Asset	Fair Value December 31, 2010	Quoted Prices in Active Markets for Identical Assts (Level 1)
Investments	\$ 1,526,203	\$ 1,526,203
Grants Receivable	123,773	123,773
Contributions Receivable	75,564	75,564

Note 5. Conditional Promise to Give

The Clinic has been awarded Health Care Safety Net Primary Care Service grants totaling \$273,300 and \$273,300 from the State of Tennessee, Department of Health for the years ended December 31, 2011 and 2010. Under these grants, the Clinic must provide an estimated 10,932 primary care medical encounters during the period from July 1, 2011 to June 30, 2012 and 10,932 primary care medical encounters during the period from July 1, 2010 to June 30, 2011 to uninsured adult Tennesseans nineteen through sixty-four years of age. As of December 31, 2011 and 2010, \$47,400 and \$58,850 of these grants are 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 years ended December 31, 2011 and 2010 are as follows:

FAITH FAMILY MEDICAL CLINIC, INC.
Notes to Financial Statements - Continued
December 31, 2011 and 2010

Note 6. Donated Property, Equipment and Services – Continued

Revenues	2011	2010
Donated Professional Services	\$ 72,305	\$ 79,681
Donated Equipment and Supplies	4,250	25,576
Donated Rent	61,200	61,200
	<u>\$ 137,755</u>	<u>\$ 166,458</u>
Expenses and Assets	2011	2010
Donated Professional Services	\$ 72,305	\$ 79,681
Donated Property and Equipment	3,549	23,706
Donated Supplies	701	1,870
Donated Rent	61,200	61,200
	<u>\$ 137,755</u>	<u>\$ 166,458</u>

The Clinic receives donated pharmaceutical samples from various sources. These samples are dispensed at the Clinic to patients. The value of these donated samples has not been determined or recorded in the financial statements.

Note 7. Long-Term Debt

The Clinic has a promissory note payable with the Joe C. Davis Foundation established in conjunction with the purchase of an electronic medical records system. Principal payments of \$57,000 are due annually beginning on December 31, 2012. The note bears interest at 7.5% only when principal payments are not made timely. Future principal payments are as follows:

Year Ending December 31,	Amount
2012	\$ 57,000
2013	57,000
2014	57,000
	<u>\$ 171,000</u>

Note 8. 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 of Directors. Contributions to the plan are made in accordance with the Internal Revenue Service limits. For the years ended December 31, 2011 and 2010, the Clinic funded 6% of compensation for eligible employees for a total of \$39,342 and \$38,680.

Note 9. 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 for the years ended December 31, 2011 and 2010 of the building is \$18 per square foot or \$61,200 per year.

The Clinic leases an apartment that serves as additional office space. The lease expires in December 2012. Future minimum rental payments required under operating leases that have initial or remaining noncancelable base terms in excess of one year as of December 31, 2011: 2012 \$13,141.

Rental expense for all operating leases for the years ended December 31, 2011 and 2010 is \$73,740 and \$73,141.

FAITH FAMILY MEDICAL CLINIC, INC.
Notes to Financial Statements - Continued
December 31, 2011 and 2010

Note 10. 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, 2011 and 2010, the Clinic's cash accounts exceeded the insurance coverage by \$106,455 and \$247,160. 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 years ended December 31, 2011 and 2010 was 22% and 18% of total revenue.

Note 11. Related Party

The Clinic uses a Board of Directors member's insurance agency to obtain health insurance. The total insurance expense paid for the year ended December 31, 2011 and 2010 was \$59,795 and \$59,052.

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, 2011 through February 22, 2012, the date the financial statements were available to be issued. There were no subsequent events that require recognition or disclosure in the financial statements.