

FAITH FAMILY MEDICAL CLINIC, INC.
Financial Statements
June 30, 2007 and 2006

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Independent Auditors' Report

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

We have audited the accompanying statements of financial position of Faith Family Medical Clinic, Inc. (a nonprofit organization) as of June 30, 2007 and 2006, 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 June 30, 2007 and 2006, 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.

As discussed in Note 8 to the financial statements, certain errors resulting in understatement of previously reported liabilities as of June 30, 2006, were discovered by management of the Organization during the current year. Accordingly, the 2006 financial statements have been restated to correct the error.

Parker, Parker & Associates

August 20, 2007

FAITH FAMILY MEDICAL CLINIC, INC.
Statements of Financial Position
June 30, 2007 and 2006

	2007	(Restated) 2006
Assets		
Current Assets		
Cash and Cash Equivalents	\$ 460,835	\$ 532,448
Certificates of Deposit	-	1,068,517
Investments	1,446,959	-
Grants Receivable	80,100	-
Contributions Receivable	20,900	120,250
Accounts Receivable	361	-
Prepaid Insurance	13,351	11,167
Other Current Assets	922	-
Total Current Assets	<u>2,023,428</u>	<u>1,732,382</u>
Property & Equipment		
Computer Equipment	21,969	21,969
Medical Equipment	21,760	11,050
Office Equipment	11,688	11,688
Building Improvements	101,244	101,244
	<u>156,661</u>	<u>145,951</u>
Less: Accumulated Depreciation	<u>(112,950)</u>	<u>(101,408)</u>
Total Property & Equipment	<u>43,711</u>	<u>44,543</u>
Total Assets	<u><u>\$ 2,067,139</u></u>	<u><u>\$ 1,776,925</u></u>
Liabilities and Net Assets		
Current Liabilities		
Accounts Payable	\$ 10,804	\$ 5,416
Accrued Vacation	27,510	31,987
Total Current Liabilities	<u>38,314</u>	<u>37,403</u>
Net Assets		
Unrestricted	<u>2,028,825</u>	<u>1,739,522</u>
Total Liabilities and Net Assets	<u><u>\$ 2,067,139</u></u>	<u><u>\$ 1,776,925</u></u>

See independent auditors' report and notes to financial statements.

FAITH FAMILY MEDICAL CLINIC, INC.
Statements of Activities
For the Years Ended June 30, 2007 and 2006

	2007		(Restated) 2006	
	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted
	Total		Total	
Revenue and Support				
Medical Services, Net	\$ 188,961	\$ -	\$ 188,912	\$ -
Contributions	483,329	13,467	910,084	5,630
Grants	312,925	-	6,000	-
Investment Income, Net	66,161	-	-	-
Donated Professional Services	39,508	-	68,164	-
Donated Rent	61,200	-	61,200	-
Donated Equipment and Supplies	17,914	-	-	-
Interest and Other Income	29,956	-	35,274	-
Net Assets Released from Restrictions	13,467	(13,467)	5,630	(5,630)
Total Revenue	1,213,421	-	1,275,265	-
Expenses				
Program Expenses	789,238	-	774,767	-
Supporting Services				
Management and General Expenses	87,278	-	78,175	-
Fundraising Expenses	47,602	-	35,113	-
Total Supporting Services	134,880	-	113,288	-
Total Expenses	924,118	-	888,055	-
Change in Net Assets	289,303	-	387,210	-
Net Assets - Beginning of Year	1,739,522	-	1,352,312	-
Net Assets - End of Year	\$ 2,028,825	\$ -	\$ 1,739,522	\$ -

See independent auditors' report and notes to financial statements.

FAITH FAMILY MEDICAL CLINIC, INC.
Statements of Functional Expenses
For the Years Ended June 30, 2007 and 2006

	2007			(Restated) 2006			
	Supporting Services			Supporting Services			
	Program Services	Management and General	Fundraising	Program Services	Management and General	Fundraising	Total
Advertising	\$ 344	\$ -	\$ -	\$ 141	\$ -	-	\$ 141
Compensation and Benefits	586,064	-	-	557,910	-	-	557,910
Donated Services and Supplies	45,612	-	-	68,164	-	-	68,164
Dues and Subscriptions	-	1,610	-	-	1,370	-	1,370
Equipment and Computer Repair	1,580	-	-	450	-	-	450
Fees and Licenses	2,120	-	-	1,580	-	-	1,580
Fundraising	-	-	47,602	-	-	35,113	35,113
Insurance	20,705	5,582	-	19,447	3,975	-	23,421
Lab Services	37,986	-	-	36,673	-	-	36,673
Loss on Disposal of Fixed Assets	-	159	-	-	-	-	-
Maintenance	1,487	-	-	-	-	-	-
Meals and Entertainment	-	6,869	-	-	517	-	517
Miscellaneous	225	9,230	-	-	11,579	-	11,579
Office Cleaning	4,618	-	-	4,154	-	-	4,154
Postage and Handling	-	2,839	-	-	2,559	-	2,559
Professional Fees	-	40,242	-	-	35,911	-	35,911
Rent - Building	61,201	-	-	61,201	-	-	61,201
Rent - Equipment	267	-	-	524	-	-	524
Supplies - Medical	18,879	-	-	17,628	-	-	17,628
Supplies - Office	-	8,264	-	-	8,593	-	8,593
Utilities	8,150	-	-	6,895	-	-	6,895
Total Before Depreciation	\$ 789,238	74,795	47,602	\$ 774,767	64,504	35,113	874,384
Depreciation	-	12,483	-	-	13,671	-	13,671
Total Expenses	\$ 789,238	\$ 87,278	\$ 47,602	\$ 774,767	\$ 78,175	\$ 35,113	\$ 888,055

See independent auditors' report and notes to financial statements.

FAITH FAMILY MEDICAL CLINIC, INC.
Statements of Cash Flows
For the Years Ended June 30, 2007 and 2006

	2007	(Restated) 2006
Cash Flows from Operating Activities		
Increase in Net Assets	<u>\$ 289,303</u>	<u>\$ 387,210</u>
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	12,483	13,671
Unrealized Gain on Investments	(42,813)	-
Donated Investments	(5,494)	-
Donated Medical Equipment	(11,810)	-
Loss on Disposal of Fixed Asset	159	-
Increase in Grants Receivable	(80,100)	-
(Increase) Decrease in Contributions Receivable	99,350	(120,250)
(Increase) Decrease in Accounts Receivable	(361)	5,418
Increase in Prepaid Expenses	(3,106)	(590)
Increase (Decrease) in Accounts Payable	5,388	(4,000)
Increase (Decrease) in Accrued Liabilities	(4,477)	29,765
Total Adjustments	<u>(30,781)</u>	<u>(75,986)</u>
Net Cash Provided by Operating Activities	<u>258,522</u>	<u>311,224</u>
Cash Flows from Investing Activities		
Payments for the Purchase of Investments	(1,390,685)	(24,885)
Payments for the Purchase of Certificates of Deposit	(19,097)	-
Proceeds from Redemption of Certificates of Deposit	1,087,614	-
Dividends (Re-invested)	(7,967)	-
Net Cash Used by Investing Activities	<u>(330,135)</u>	<u>(24,885)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(71,613)	286,339
Cash and Cash Equivalents - Beginning of Year	<u>532,448</u>	<u>246,109</u>
Cash and Cash Equivalents - End of Year	<u><u>\$ 460,835</u></u>	<u><u>\$ 532,448</u></u>

See independent auditor's report and notes to financial statements.

FAITH FAMILY MEDICAL CLINIC, INC.
Notes to Financial Statements
June 30, 2007 and 2006

Note 1. Summary of Significant Accounting Policies

A. Organization and Nature of Activities

Faith Family Medical Clinic, Inc. (the "Clinic") was originally chartered and incorporated under the laws of Tennessee as a non-profit corporation in the name of "Interfaith Health Clinic of Nashville" on July 19, 1999. The name was changed to Faith Family Medical, Inc. through an amended charter submitted to the state of Tennessee on July 17, 2000. The Clinic adopted bylaws and began fundraising activities on March 30, 2000. The Clinic's purpose is to establish and implement fundraising programs, and to accept and receive gifts, grants, contributions, and bequests of real and personal property; to hold, manage, invest, reinvest, and expend funds and properties so received; to borrow money and issue evidences of indebtedness; and to perform all other acts necessary or incidental to the above to provide primary medical care and health education to low income, uninsured or underinsured persons. The Clinic offers services to residents in the Nashville MSA. The Clinic is a 501(c)(3) corporation exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code of 1986. The Clinic began seeing patients in September 2001.

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 follows the recommendations of the Financial Accounting Standards Board (FASB) in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. 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. Certificates of deposit with original maturities over three months are classified as short-term investments. Short-term investments are stated at cost because that approximates market value.

F. Contributions Receivable

Contributions receivable are recorded at fair value for all unconditional promises to give. Management has evaluated the collectibility 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.

FAITH FAMILY MEDICAL CLINIC, INC.
Notes to Financial Statements - Continued
June 30, 2007 and 2006

Note 1. Summary of Significant Accounting Policies - Continued

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. For the years ended June 30, 2007 and 2006, accounts receivable totaled \$361 and \$0.

H. Property, Plant and Equipment

Property and equipment are recorded at cost if purchased or fair market value if donated. Depreciation is provided using the double-declining balance method 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 ending June 30, 2007 and 2006 is \$12,483 and \$13,671.

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.

J. Income Taxes

The Clinic 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. 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.

The Clinic reports gifts of goods and equipment as unrestricted support unless explicit donor stipulations specify how the assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets must be maintained, the Clinic reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

A substantial number of volunteers have donated services to the Clinic's program services and fund-raising campaigns during the year; however, these donated services are not reflected in the financial statements of activities at the fair value.

Materials are other assets received as donations and are recorded and reflected in the accompanying financial statements at their fair values at the date of receipt.

FAITH FAMILY MEDICAL CLINIC, INC.
Notes to Financial Statements - Continued
June 30, 2007 and 2006

Note 1. Summary of Significant Accounting Policies - Continued

N. Advertising Costs

Advertising costs are charged to operations when incurred. Advertising expense was \$344 and \$141 for the years ended June 30, 2007 and 2006, respectively.

Note 2. Concentration of Credit 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 \$100,000. At June 30, 2007 and 2006, the Clinic's cash accounts exceeded the insurance coverage by \$292,943 and \$1,389,877, respectively.

Note 3. Investments

Investments at June 30 were as follows:

	<u>2007</u>		
	Cost	Fair Market Value	Cumulative Unrealized Gain(Loss)
Equity Securities	\$ 40,978	\$ 31,958	\$ (9,020)
Corporate Bonds	182,000	181,845	(155)
Mutual Funds	1,181,168	1,233,156	51,988
	<u>\$ 1,404,146</u>	<u>\$ 1,446,959</u>	<u>\$ 42,813</u>

Investment income for the year ended June 30 consisted of the following:

	<u>2007</u>
Unrealized Gains and Losses	\$ 42,813
Interest and Dividend Income	23,348
Total Investment Income	<u>\$ 66,161</u>

Note 4. Contributions Receivable and Temporarily Restricted Net Assets

The amounts of contributions receivable as of June 30, 2007 and 2006 were as follows:

	<u>2007</u>	<u>2006</u>
Unrestricted	\$ 20,900	\$ 120,250
Temporarily Restricted - Time Restrictions	-	-
	20,900	120,250
Less:		
Discounts for the Time Value of Money	-	-
Contributions Receivable, Net	<u>\$ 20,900</u>	<u>\$ 120,250</u>

Future collections of contributions as of June 30, 2007 and 2006 were as follows:

	<u>2007</u>	<u>2006</u>
Receivable in Less than One Year	\$ 20,900	\$ 120,250
Total	<u>\$ 20,900</u>	<u>\$ 120,250</u>

Note 5. 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 June 30, 2007 and 2006 are as follows:

FAITH FAMILY MEDICAL CLINIC, INC.
Notes to Financial Statements - Continued
June 30, 2007 and 2006

Note 5. Donated Property, Equipment and Services - Continued

Revenues		
	2007	2006
Donated Professional Services	\$ 39,508	\$ 68,164
Donated Medical Equipment	11,810	-
Donated Supplies	6,104	-
Donated Rent	61,200	61,200
	<u>\$ 118,622</u>	<u>\$ 129,364</u>
Expenses and Assets		
	2007	2006
Donated Professional Services	\$ 39,508	\$ 68,164
Donated Medical Equipment	11,810	-
Donated Supplies	6,104	-
Donated Rent	61,200	61,200
	<u>\$ 118,622</u>	<u>\$ 129,364</u>

Note 6. Pension Plan

The Clinic established a simplified employee pension plan (SEP) for the benefit of its employees in 2005. The plan provides for discretionary contributions by the Clinic determined annually by the Board. For the years ended June 30, 2007 and 2006 the Clinic funded 6% for all employees who had been with the Clinic for one year for a total of \$27,488 and \$18,565, respectively.

Note 7. Operating Lease

Faith Family Medical Clinic, Inc. 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 lease with Baptist Hospital for \$1 per year. The fair market retail value of the building is \$18 per square foot or \$61,200 per year. The lease expired in September 2002 and continues on a month-to-month basis. The amount of rent expense for the years ended June 30, 2007 and 2006 was \$61,201.

Note 8. Correction of an Error

During the year ended June 30, 2007, an error was discovered affecting accrued vacation. The 2006 financial statements were restated to increase the accrued vacation liability and compensation and benefits expense by \$25,898. Total restatements resulted in a change to accrued vacation and compensation and benefits from \$6,089 to \$31,987 and \$532,012 to \$557,910, respectively. Also, net assets and change in net assets were decreased by \$25,898 at June 30, 2006.

Note 9. Financial Statement Reclassification

Certain accounts have been reclassified for ease of comparison on the financial statements. This has resulted in no change to total assets, liabilities, net assets or change in net assets of the Clinic.