

***MEDICAL FOUNDATION  
OF NASHVILLE***

**FINANCIAL STATEMENTS  
& INDEPENDENT AUDITORS' REPORT**

**DECEMBER 31, 2018**

**MEDICAL FOUNDATION OF NASHVILLE**

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# MULLINS CLEMMONS & MAYES, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors of  
Medical Foundation of Nashville:

We have audited the accompanying financial statements of Medical Foundation of Nashville (a nonprofit corporation) (the "Foundation"), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities and changes in net assets, cash flows and functional expenses for the year then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

The Foundation's 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 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 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 Medical Foundation of Nashville as of December 31, 2018, 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.

## Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of professional services on page 13 is presented for purposes of additional analysis and are 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 taken as a whole.

*Mullins Clemmons + Mayes, PLLC*

Brentwood, Tennessee  
June 25, 2019

**MEDICAL FOUNDATION OF NASHVILLE**

**STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2018**

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**ASSETS**

Cash and cash equivalents	\$ 27,312
State contract receivables	44,198
Promises to give	31,000
Prepaid expenses and other assets	<u>627</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 103,137</u></b>

**LIABILITIES AND NET ASSETS**

Due to affiliated organization	<u>\$ 27,408</u>
Total liabilities	<u>27,408</u>
<b>NET ASSETS:</b>	
Without donor restrictions	(15,212)
With donor restrictions	<u>90,941</u>
Total net assets	<u>75,729</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 103,137</u></b>

**The accompanying notes are an integral part of the financial statements.**

**MEDICAL FOUNDATION OF NASHVILLE****STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
REVENUE, SUPPORT AND GAINS:			
Contributions	\$ 139,828	\$ 110,941	\$ 250,769
Contributed services	1,470,296	-	1,470,296
State and local contract revenue	129,463	-	129,463
Total	1,739,587	110,941	1,850,528
Net assets released due to satisfaction of restrictions	20,000	(20,000)	-
Total revenue, support and gains	1,759,587	90,941	1,850,528
EXPENSES:			
Program services	1,663,543	-	1,663,543
Fundraising	66,504	-	66,504
Management and general	44,752	-	44,752
Total expenses	1,774,799	-	1,774,799
CHANGE IN NET ASSETS	(15,212)	90,941	75,729
NET ASSETS:			
Beginning	-	-	-
Ending	\$ (15,212)	\$ 90,941	\$ 75,729

**The accompanying notes are an integral part of the financial statements.**

**MEDICAL FOUNDATION OF NASHVILLE**

**STATEMENTS OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

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	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	\$ 75,729
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Net changes in other operating assets and liabilities:	
Promises to give	(31,000)
State contract receivables	(44,198)
Prepaid expenses and other assets	(627)
Due to affiliated organization	<u>27,408</u>
Net cash provided by operating activities	<u>27,312</u>
 NET CHANGE IN CASH AND CASH EQUIVALENTS	 27,312
 CASH AND CASH EQUIVALENTS, BEGINNING	 <u>-</u>
 CASH AND CASH EQUIVALENTS, ENDING	 <u><u>\$ 27,312</u></u>

The accompanying notes are an integral part of the financial statements.

**MEDICAL FOUNDATION OF NASHVILLE**

**STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2018**

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	<b>Program Services</b>	<b>Fundraising</b>	<b>Management and General</b>	<b>Total</b>
Contributed services	\$ 1,470,296	\$ -	\$ -	\$ 1,470,296
Professional services	188,686	66,154	41,836	296,676
Accounting and financial	-	350	2,489	2,839
Community outreach	1,000	-	-	1,000
Insurance	-	-	427	427
Minor equipment	3,561	-	-	3,561
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenses	<u>\$ 1,663,543</u>	<u>\$ 66,504</u>	<u>\$ 44,752</u>	<u>\$ 1,774,799</u>

**The accompanying notes are an integral part of the financial statements.**



## **MEDICAL FOUNDATION OF NASHVILLE**

### **NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018**

#### **NOTE 1 – THE ENTITY**

Medical Foundation of Nashville (the “Foundation”) was established on January 1, 2018 as a Tennessee nonprofit corporation. The primary program of the Foundation is Project Access Nashville Specialty Care (“PAN”). PAN provides a coordinated system of care to low-income, uninsured residents of Davidson County and limited other Middle Tennessee Counties who are below 200% of the Federal Poverty Level. PAN has established a referral process that links these patients to a network of community-based medical clinics, physician specialists, collaborating hospitals, and ancillary partners. This program has been operating since 2005 and administered by Nashville Academy of Medicine (“NAM”). See Note 5 for further information related to NAM.

The Foundation also supports educational events for physicians, residents, and medical students in middle Tennessee, and health education for the broader community.

#### **NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **Accounting Periods**

All references to 2018 in these financial statements refer to the year ended December 31, 2018, unless otherwise noted.

##### **Basis of Accounting**

In accordance with accounting principles generally accepted in the United States of America, the Foundation uses the accrual basis of accounting; therefore, revenue is recognized when earned and expenses are recognized when incurred.

##### **Financial Statement Presentation**

The Foundation is required to report information regarding its financial position and activities according to the following net asset classifications:

**Net assets without donor restrictions** – This class includes net assets that are not subject to any donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Foundation. These net assets may be used at the discretion of the Foundation’s management and the Board of Directors.

**Net assets with donor restrictions** – This class includes net assets whose use by the Foundation is subject to donor-imposed restrictions. Some donor restrictions are temporary in nature; those restrictions will be fulfilled by actions of the Foundation pursuant to those restrictions or by the passage of time. The Foundation has no donor restrictions that are perpetual in nature, whereby the donor has stipulated that resources be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets without donor restrictions if the restrictions expire in the reporting period in which the revenue is recognized.

## **MEDICAL FOUNDATION OF NASHVILLE**

### **NOTES TO FINANCIAL STATEMENTS (CONTINUED) DECEMBER 31, 2018**

#### **NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

#### **Cash and Cash Equivalents**

For purposes of the statement of cash flows, cash and cash equivalents consist of cash held in bank accounts, money market funds and bank certificates of deposit with original maturities of ninety days or less, which are neither held for nor restricted by donors for long-term purposes. The Foundation may, at times, maintain bank account balances in excess of federally insured limits. However, the Foundation has not experienced any losses in such accounts, and believes it is not exposed to any significant credit risk related to cash and cash equivalents.

#### **Contributions and Promises to Give**

Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received.

Unconditional promises to give expected to be collected within one year are recorded at net realizable value. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

The Foundation uses the allowance method to determine uncollectible unconditional promises to give. The allowance is based on historical experience, an assessment of economic conditions, and management's analysis of specific promises made. Promises to give are written off when deemed uncollectible. At December 31, 2018, management deemed all promises to give to be fully collectible, and, therefore, no allowance has been recorded.

See Note 4 for further details.

#### **State Contract Revenue and Receivables**

State contract revenue is recognized when patient encounters are incurred under the terms of the contract.

The Foundation uses the allowance method to determine uncollectible state contract receivables. The allowance is based on historical experience, an assessment of economic conditions, and management's analysis of specific state contract receivables. State contract receivables are written off when deemed uncollectible. At December 31, 2018 management deemed all state contract receivables to be fully collectible, and, therefore, no allowance has been recorded.

## **MEDICAL FOUNDATION OF NASHVILLE**

### **NOTES TO FINANCIAL STATEMENTS (CONTINUED) DECEMBER 31, 2018**

#### **NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

##### **Donated Facilities and Services**

Donated facilities are recognized at fair value on the date contributed. Donated services are recognized, at fair value, if they create or enhance nonfinancial assets or require specialized skills and would be purchased by the Foundation if not contributed. Donated services are recognized as contributions and expenses at their estimated fair values at date of receipt. During 2018, the Foundation received contributed professional services related to PAN, with an estimated fair value of \$1,470,296.

The Foundation received donated services from unpaid volunteers which did not meet the criteria for recognition under generally accepted accounting principles.

##### **Income Taxes**

As mentioned in Note 1, the Foundation is a Tennessee nonprofit corporation, and a tax-exempt organization under section 501(c)(3) of the Internal Revenue Code. The Foundation is not classified as a private foundation.

The Foundation is required to file an annual Return of Organization for Exempt from Income Tax (Form 990) with the Internal Revenue Service. In addition, certain nonprofit corporations are subject to income tax on net income derived from business activities unrelated to their exempt purposes. Management has determined the Foundation is not subject to unrelated business income tax. Accordingly, no provision for income taxes is included in the accompanying financial statements.

##### **Functional Allocation of Expenses**

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. See Note 7 for further details.

##### **Estimates**

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates, and those differences could be material.

## MEDICAL FOUNDATION OF NASHVILLE

### NOTES TO FINANCIAL STATEMENTS (CONTINUED) DECEMBER 31, 2018

#### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### Events Occurring after Reporting Date

The Foundation has evaluated events and transactions which occurred between December 31, 2018 and June 25, 2019, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

##### Recently Issued Accounting Pronouncements

In August 2016, the Financial Accounting Standards Board issued ASU 2016-14, Not-for-Profit Entities (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities* (the “ASU”). The Foundation has implemented ASU 2016-14 and has presented these financial statements accordingly.

#### NOTE 3 – LIQUIDITY

Financial assets available for general expenditures within one year of December 31, 2018, consist of the following:

Cash and cash equivalents	\$ 27,312
Promises to give	31,000
Grants and other receivables	<u>44,398</u>
Total financial assets	\$ 102,710
Less amounts not available to be used within one year:	
Promises to give	<u>(14,000)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 88,710</u>

As part of the Foundation’s liquidity plan, NAM has agreed to make a contribution in the amount of the operating loss for the first three years of the Foundation’s existence. In 2018, the contribution from NAM in the amount of \$74,407 has been reported in the accompanying Statement of Activities. See Note 5 for further details related to NAM.

## MEDICAL FOUNDATION OF NASHVILLE

### NOTES TO FINANCIAL STATEMENTS (CONTINUED) DECEMBER 31, 2018

#### NOTE 4 – PROMISES TO GIVE

Unconditional promises to give consist of the following at December 31, 2018:

Promises to give without donor restrictions	\$ -
Promises to give with donor restrictions	31,000
Gross promises to give	<u>31,000</u>
Promises receivable due less than one year	(17,000)
Promises receivable due within one to five years	<u>\$ 14,000</u>

#### NOTE 5 – RELATED PARTY TRANSACTIONS

As mentioned in Note 1, the Foundation's major program was administered by NAM prior to January 1, 2018. The NAM Board voted to create the Foundation and move the charitable activities from NAM, a 501(c)(6) organization, to the Foundation. NAM will continue to operate the programs as an independent contractor unless in the future, the Foundation Board deems it appropriate to further separate the programs. The two organizations have separate Boards. However, the programs and activities are administered by the same staff at the same facilities. The expenses billed by NAM in the amount of \$296,676 have been reported in the accompanying Statement of Activities for 2018. At December 31, 2018, the Foundation had a payable due to NAM for \$27,408.

#### NOTE 6 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions have been restricted for the following purposes or periods at December 31, 2018:

Subject to expenditure for a specified purpose:	
2021 special event	\$ 30,941
Project Access Nashville Spanish expansion	20,000
	<u>50,941</u>
Subject to the passage of time:	
Time-restricted for 2019 Project Access Nashville	<u>40,000</u>
Total donor restricted net assets	<u>\$ 90,941</u>

Net assets with donor restrictions were released from restrictions by incurring expenses satisfying the restrictions during 2018 as follows:

Project Access Nashville	\$ 20,000
Total net assets released from restrictions	<u>\$ 20,000</u>

## **MEDICAL FOUNDATION OF NASHVILLE**

### **NOTES TO FINANCIAL STATEMENTS (CONTINUED) DECEMBER 31, 2018**

#### **NOTE 7 – FUNCTIONAL EXPENSES**

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis which is consistently applied. Such expenses are allocated using one overall method. Professional services from NAM consist of various expenses, as detailed on the supplemental schedule included with the financial statements. Within professional services, salaries and employee benefits are allocated on the basis of estimates of time and effort; occupancy is allocated on a square footage basis.

## **ADDITIONAL INFORMATION**

**MEDICAL FOUNDATION OF NASHVILLE****SUPPLEMENTAL SCHEDULE OF PROFESSIONAL SERVICES  
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<b>Program Services</b>	<b>Fundraising</b>	<b>Management and General</b>	<b>Total</b>
Salaries and benefits	\$ 136,088	\$ 58,560	\$ 21,130	\$ 215,778
Occupancy	33,309	7,286	3,177	43,772
Accounting and financial	-	-	10,673	10,673
Computer related	3,339	308	2,788	6,435
Office expense	2,579	-	199	2,778
Dues	277	-	980	1,257
Insurance	-	-	378	378
Minor equipment	2,496	-	-	2,496
Project Access Nashville				
Program expense	2,223	-	-	2,223
Educational program expense	2,278	-	-	2,278
Professional development	-	-	308	308
Postage	1,240	-	-	1,240
Taxes and licenses	-	-	665	665
Telephone	4,192	-	873	5,065
Travel and meetings	665	-	665	1,330
Total expenses	<u>\$ 188,686</u>	<u>\$ 66,154</u>	<u>\$ 41,836</u>	<u>\$ 296,676</u>

**The accompanying notes are an integral part of the financial statements.**