

# **Medical Foundation of Nashville**

Financial Statements  
For the Year Ended December 31, 2022

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For the Year Ended December 31, 2022

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## **Independent Auditor's Report**

Board of Directors  
Medical Foundation of Nashville

### **Opinion**

We have audited the accompanying financial statements of Medical Foundation of Nashville (the Foundation), which comprise the statement of financial position as of December 31, 2022, the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as of December 31, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts, and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

#### **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 12 is presented for 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 GAAS. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

*Blankenship CPA Group, PLLC*

Blankenship CPA Group, PLLC  
Nashville, Tennessee  
June 16, 2023

## Medical Foundation of Nashville

### Statement of Financial Position

December 31, 2022

#### Assets

Cash and cash equivalents	\$ 59,695
State grants and other receivables	404,101
Promises to give	10,000
Prepaid expenses and other assets	2,535
Property and equipment, net	<u>8,928</u>
Total assets	<b>\$ 485,259</b>

#### Liabilities and Net Assets

##### Liabilities

Accounts payable	\$ 10,289
Due to affiliated organization	<u>180,754</u>
Total liabilities	191,043

##### Net assets

Without donor restrictions	249,048
With donor restrictions	<u>45,168</u>
Total net assets	<u>294,216</u>
Total liabilities and net assets	<b>\$ 485,259</b>

**Medical Foundation of Nashville**  
Statement of Activities  
For the Year Ended December 31, 2022

	<b>Without donor restrictions</b>	<b>With donor restrictions</b>	<b>Total</b>
<b>Revenues, Support, and Gains</b>			
Contributions of financial and other assets	\$ 53,551	\$ 66,500	\$ 120,051
Contributions of nonfinancial assets	6,097,812	-	6,097,812
Special events (net of direct benefits to donors of \$15,550)	28,559	-	28,559
State and local grants	748,881	-	748,881
Net assets released from restrictions	<u>57,256</u>	<u>(57,256)</u>	<u>-</u>
Total revenues, support, and gains	6,986,059	9,244	6,995,303
<b>Expenses</b>			
Program services	6,821,510	-	6,821,510
Management and general	125,409	-	125,409
Fundraising	<u>41,577</u>	<u>-</u>	<u>41,577</u>
Total expenses	6,988,496	-	6,988,496
Change in net assets	(2,437)	9,244	6,807
Net assets, beginning of year	<u>251,485</u>	<u>35,924</u>	<u>287,409</u>
Net assets, end of year	<b>\$ 249,048</b>	<b>\$ 45,168</b>	<b>\$ 294,216</b>

**Medical Foundation of Nashville**  
Statement of Functional Expenses  
For the Year Ended December 31, 2022

	<b>Program services</b>	<b>Management and general</b>	<b>Fundraising</b>	<b>Total</b>
Contributed services	\$ 6,097,812	\$ -	\$ -	\$ 6,097,812
Professional services	683,869	87,009	30,478	801,356
Accounting and financial	-	37,434	1,365	38,799
Insurance	-	854	-	854
Community outreach	1,360	-	-	1,360
Computer services and supplies	16,103	-	-	16,103
Miscellaneous	11,997	-	-	11,997
Celebration and special event	8,965	-	9,654	18,619
Depreciation	1,404	112	80	1,596
	<b>\$ 6,821,510</b>	<b>\$ 125,409</b>	<b>\$ 41,577</b>	<b>\$ 6,988,496</b>

**Medical Foundation of Nashville**  
Statement of Cash Flows  
For the Year Ended December 31, 2022

Cash and cash equivalents, beginning of year	\$ 74,513
<b>Cash flows from operating activities</b>	
Change in net assets	6,807
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Depreciation	1,596
Change in:	
State grants and other receivables	(45,637)
Prepaid expenses and other assets	4,457
Accounts payable	6,524
Due to affiliated organization	11,435
Net cash provided (used) by operating activities	<u>(14,818)</u>
Net change in cash and cash equivalents	(14,818)
Cash and cash equivalents, end of year	<b>\$ 59,695</b>



**Medical Foundation of Nashville**  
Notes to Financial Statements  
For the Year Ended December 31, 2022

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**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).

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**

**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 those 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.

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.

**Medical Foundation of Nashville**  
Notes to Financial Statements  
For the Year Ended December 31, 2022

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**Note 2. Summary of Significant Accounting Policies**

**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 90 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.

**Property and Equipment**

Expenditures for additions, major renewals and betterment of property and equipment with a cost in excess of \$2,500 are capitalized. The fair value of donated property and equipment is similarly capitalized. Expenditures for maintenance and repairs are charged to expense as incurred. Depreciation is computed by using the straight-line method over the estimated useful lives of the individual assets.

**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 year end, management deemed all promises to give to be fully collectible, and, therefore, no allowance has been recorded.

**State Grant Revenue and Receivables**

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

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

**Contributions of Nonfinancial Assets (New Accounting Standard Adopted in 2022)**

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. The Foundation received contributed professional services related to PAN with an estimated fair value of \$6,097,812 during 2022.

The Foundation received donated services from unpaid office volunteers which did not meet the criteria for recognition under US GAAP.

**Medical Foundation of Nashville**  
Notes to Financial Statements  
For the Year Ended December 31, 2022

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**Note 2. Summary of Significant Accounting Policies**

**Leases (New Accounting Standard Adopted in 2022)**

In February 2016, the Financial Accounting Standards Board issued Accounting Standards Codification (ASC) Topic 842, *Leases*, to increase transparency and comparability among organizations related to their leasing arrangements. The update requires lessees to recognize most leases on their statement of financial position as a right-of-use (ROU) asset representing the right to use an underlying asset and a lease liability representing the obligation to make lease payments over the lease term, measured on a discounted basis. Topic 842 also requires additional disclosure of key quantitative and qualitative information for leasing arrangements. Similar to the previous lease guidance, the update retains a distinction between finance leases (similar to capital leases in Topic 840, *Leases*) and operating leases, with classification affecting the pattern of expense recognition in the statements of activities and functional expenses. The Foundation adopted Topic 842 on January 1, 2022, using the optional transition method to the modified retrospective approach, which eliminates the requirement to restate the prior-period financial statements. Under this transition provision, the Foundation has applied Topic 842 to reporting periods beginning on January 1, 2022, while prior periods continue to be reported and disclosed in accordance with the Foundation's historical accounting treatment under ASC Topic 840, *Leases*. The Foundation evaluated the impact on the financial statements and determined no changes were necessary.

**Income Taxes**

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.

The Foundation has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements.

The Foundation is subject to routine audits by taxing jurisdictions for the periods of 2019 to present; however, there are currently no audits for any tax periods in progress.

**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. 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 schedules 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.

**Use of Estimates**

The preparation of financial statements in conformity with US GAAP 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  
For the Year Ended December 31, 2022

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**Note 3. Liquidity and Availability**

Financial assets, consist of the following:

Financial assets	
Cash and cash equivalents	\$ 59,695
State grants and other receivables	404,101
Promises to give	<u>10,000</u>
Total financial assets at year-end	473,796
Less amounts not available to be used within one year	
Contributions restricted for specific programs	(8,964)
Contributions restricted for future year operations	<u>(36,204)</u>
Financial assets available to meet cash needs for general expenditures within one year	<b>\$ 428,628</b>

**Note 4. Promises to Give**

Promises to give consist of a promise from one donor in the amount of \$10,000 and is due within the next year.

**Note 5. Property and Equipment**

Property and equipment consist of the following:

Computers and equipment	\$ 7,605
Furniture and fixtures	6,030
Less: accumulated depreciation	<u>(4,707)</u>
Property and equipment, net	<b>\$ 8,928</b>

**Note 6. Related Party Transactions**

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 \$801,356 have been reported in the accompanying statement of activities for 2022. The Foundation had payables due to NAM for \$180,754 at year end.

**Medical Foundation of Nashville**  
Notes to Financial Statements  
For the Year Ended December 31, 2022

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**Note 7. Net Assets with Donor Restrictions**

Net assets with donor restrictions have been restricted for the following purposes or periods at year end:

Subject to expenditure for specific purpose	
Community Health Improvement	\$ 3,464
Domestic Abuse Project	5,500
Subject to the passage of time	
Time-restricted for Project Access Specialty Care	<u>36,204</u>
Total donor restricted net assets	<b>\$ 45,168</b>

Net assets with donor restrictions were released from restrictions by incurring expenses satisfying the restrictions during 2022 as follows:

Project Access Specialty Care	\$ 49,796
Community Health Improvement	<u>7,460</u>
Total net assets released from restrictions	<b>\$ 57,256</b>

**Note 8. Contributions of Nonfinancial Assets**

The Foundation is the recipient of numerous donated goods and services, which play a vital role in the Foundation's operations and in the sustaining of certain programs and activities.

The Foundation received contributed professional services with an estimated fair value of \$6,097,812 during 2022, which was used to assist in sustaining the Foundation's primary program, Project Access Nashville Specialty Care. Physicians and hospitals complete prescribed forms to determine fair values of services provided.

**Note 9. Commitments and Contingencies**

Grant expenditures are subject to review and audit by the grantors in the normal course of operations. Any reviews and audits could result in disallowance of expenditures, and therefore, a return of grant funds to the grantor. Management believes that no unallowable expenditures have been incurred under any of its grants. Accordingly, no provision has been made for any potential return of funds to any of its grantors.

**Note 10. Subsequent Events**

Management has evaluated subsequent events through June 16, 2023, the date on which the financial statements were available for issuance. On March 27, 2023, the Foundation opened a \$500,000 line of credit. The interest rate is set at the prime rate of interest published in the money rate section of the Wall Street Journal adjusted each day. The term is one-year with a renewal option. As of June 16, 2023, there was \$100,000 loan disbursement drawn down from the line of credit.

## **Supplemental Schedule**

**Medical Foundation of Nashville**  
Schedule of Professional Services  
For the Year Ended December 31, 2022

	<b>Program services</b>	<b>Management and general</b>	<b>Fundraising</b>	<b>Total</b>
Salaries and benefits	\$ 586,641	\$ 45,157	\$ 26,731	\$ 658,529
Occupancy	52,463	4,824	3,015	60,302
Accounting and financial	-	33,383	-	33,383
Computer related	10,549	709	732	11,990
Office	10,655	529	-	11,184
Dues	335	335	-	670
Insurance	-	1,437	-	1,437
Project Access Nashville				
Operations	6,883	-	-	6,883
Educational	899	-	-	899
Professional development	1,470	-	-	1,470
Postage	6,348	-	-	6,348
Taxes and licenses	-	20	-	20
Telephone	6,966	290	-	7,256
Travel and meetings	660	325	-	985
	<b>\$ 683,869</b>	<b>\$ 87,009</b>	<b>\$ 30,478</b>	<b>\$ 801,356</b>