

**FAITH FAMILY MEDICAL CENTER, INC.**  
**Financial Statements**  
**December 31, 2018 and 2017**

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## INDEPENDENT AUDITORS' REPORT

Board of Directors of  
Faith Family Medical Center, Inc.

### Report on the Financial Statements

We have audited the accompanying financial statements of Faith Family Medical Center, Inc. (a not-for-profit corporation), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements (collectively, 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.

### Auditors' 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 auditors' 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 Faith Family Medical Center, Inc. as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Blankenship CPA Group, PLLC*

Blankenship CPA Group, PLLC  
Goodlettsville, Tennessee  
April 30, 2019

**FAITH FAMILY MEDICAL CENTER, INC.**  
**Statements of Financial Position**  
**December 31, 2018 and 2017**

	<b>2018</b>	<b>2017</b>
<b>Assets</b>		
<b>Current Assets</b>		
Cash	\$ 454,933	\$ 600,761
Investments	1,725,143	1,983,923
Contributions and Grants Receivable	556,110	819,221
Accounts Receivable	9,304	8,976
Prepaid Expenses	28,200	32,652
Total Current Assets	<u>2,773,690</u>	<u>3,445,533</u>
<b>Property and Equipment</b>		
Land	1,924,223	790,545
Construction in Progress	233,305	-
Building and Improvements	561,723	544,609
Computer Equipment	230,668	216,589
Medical Equipment	44,089	44,089
Office Equipment	61,343	61,343
	<u>3,055,351</u>	<u>1,657,175</u>
Less: Accumulated Depreciation	<u>(531,269)</u>	<u>(481,452)</u>
Total Property and Equipment	<u>2,524,082</u>	<u>1,175,723</u>
<b>Other Assets</b>		
Cash Restricted by Donors for Capital Campaign	1,129,535	1,230,910
Investments Restricted by Capital Campaign	1,239,715	-
Contributions and Grants Receivable, Net	372,017	303,832
Deposits	300	300
Total Other Assets	<u>2,741,567</u>	<u>1,535,042</u>
Total Assets	<u><u>\$ 8,039,339</u></u>	<u><u>\$ 6,156,298</u></u>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts Payable	\$ 17,905	\$ 21,024
Tenant Deposits Payable	2,545	2,545
Earned Time Off	83,033	74,351
Accrued Payroll and Taxes	63,184	50,640
Total Current Liabilities	<u>166,667</u>	<u>148,560</u>
<b>Long-Term Debt</b>	<u>-</u>	<u>1,092,712</u>
Total Liabilities	<u>166,667</u>	<u>1,241,272</u>
<b>Net Assets</b>		
Without Donor Restrictions	4,508,940	2,555,601
With Donor Restrictions	<u>3,363,732</u>	<u>2,359,425</u>
Total Net Assets	<u>7,872,672</u>	<u>4,915,026</u>
Total Liabilities and Net Assets	<u><u>\$ 8,039,339</u></u>	<u><u>\$ 6,156,298</u></u>

See notes to financial statements.

**FAITH FAMILY MEDICAL CENTER, INC.**  
**Statements of Activities**  
**For the Years Ended December 31, 2018 and 2017**

	<b>2018</b>			<b>2017</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Revenue and Support</b>						
Medical Services, Net	\$ 218,774	\$ -	\$ 218,774	\$ 198,935	\$ -	\$ 198,935
Contributions and Grants	1,147,428	3,599,495	4,746,923	1,203,658	2,411,205	3,614,863
Investment (Loss) Income, Net	(107,023)	-	(107,023)	287,381	-	287,381
Donated Medical Services	71,707	-	71,707	75,936	-	75,936
Donated Rent	66,732	-	66,732	65,810	-	65,810
Donated Equipment, Supplies, and Other Services	69,076	224,184	293,260	66,409	-	66,409
Interest and Other Income	41,506	-	41,506	17,292	-	17,292
Net Assets Released from Restrictions	2,819,372	(2,819,372)	-	452,336	(452,336)	-
Total Revenue and Support	4,327,572	1,004,307	5,331,879	2,367,757	1,958,869	4,326,626
<b>Expenses</b>						
<b>Program Services</b>	1,851,328	-	1,851,328	1,854,007	-	1,854,007
<b>Supporting Services</b>						
Management and General	120,075	-	120,075	107,305	-	107,305
Fundraising	402,830	-	402,830	225,831	-	225,831
Total Supporting Services	522,905	-	522,905	333,136	-	333,136
Total Expenses	2,374,233	-	2,374,233	2,187,143	-	2,187,143
<b>Change in Net Assets</b>	1,953,339	1,004,307	2,957,646	180,614	1,958,869	2,139,483
<b>Net Assets - Beginning of Year</b>	2,555,601	2,359,425	4,915,026	2,374,987	400,556	2,775,543
<b>Net Assets - End of Year</b>	<u>\$ 4,508,940</u>	<u>\$ 3,363,732</u>	<u>\$ 7,872,672</u>	<u>\$ 2,555,601</u>	<u>\$ 2,359,425</u>	<u>\$ 4,915,026</u>

See notes to financial statements.

**FAITH FAMILY MEDICAL CENTER, INC.**  
**Statements of Functional Expenses**  
**For the Years Ended December 31, 2018 and 2017**

	2018					2017			
	Supporting Services					Supporting Services			
	Program	Management	Capital	Other	Total	Program	Management	Other	Total
	Services	and General	Campaign	Fundraising		Services	and General	Fundraising	
Advertising and Marketing	\$ 30,477	\$ 296	\$ -	\$ 8,099	\$ 38,872	\$ 38,785	\$ 219	\$ 204	\$ 39,208
Bad Debt	6,750	-	-	3,750	10,500	1,685	-	-	1,685
Building Repairs and Maintenance	17,465	1,048	675	1,048	20,236	9,324	547	547	10,418
Salaries	1,110,848	46,624	52,369	47,133	1,256,974	1,041,778	51,176	99,781	1,192,735
Taxes	76,616	3,614	3,480	3,862	87,572	73,424	3,964	7,727	85,115
Benefits	113,778	5,211	5,321	13,471	137,781	128,037	5,504	7,625	141,166
Bank Service Charges	3,766	15	125	1,340	5,246	5,391	-	1,155	6,546
Contract Labor	38,465	14,635	1,927	22,200	77,227	31,008	14,649	7,481	53,138
Continuing Education	4,410	433	-	4,482	9,325	2,620	405	3,992	7,017
Donated Medical Services	71,707	-	-	-	71,707	75,936	-	-	75,936
Dues and Subscriptions	7,664	2,967	22	7,369	18,022	7,740	75	6,259	14,074
Equipment Repairs and Maintenance	22,966	347	605	2,289	26,207	20,475	519	3,318	24,312
Fees and Licenses	5,220	-	-	240	5,460	1,843	-	240	2,083
Insurance	20,249	4,408	-	1,450	26,107	16,112	4,120	710	20,942
Loan Interest	45,115	3,111	3,456	3,064	54,746	8,102	-	-	8,102
Lab Services	30,185	-	-	-	30,185	28,290	-	-	28,290
Meals	6,194	2,624	1,470	33,784	44,072	4,657	705	9,419	14,781
Miscellaneous	2,643	337	1	1,044	4,025	1,665	902	149	2,716
Postage and Handling	1,816	38	-	7,388	9,242	2,331	159	11,010	13,500
Printing and Publications	2,306	96	207	11,631	14,240	2,950	-	19,696	22,646
Professional Fees	39,663	24,136	102,910	14,805	181,514	121,170	14,875	25,200	161,245
Rent - Building	58,758	3,987	-	3,987	66,732	78,928	5,356	5,356	89,640
Rent - Equipment	7,734	418	-	876	9,028	7,301	321	645	8,267
Specific Assistance to Individuals	5,434	-	-	-	5,434	14,145	-	-	14,145
Special Events	-	-	200	24,868	25,068	-	-	6,613	6,613
Supplies - Medical	20,438	-	-	-	20,438	32,693	-	-	32,693
Supplies - Office	16,532	1,005	291	3,646	21,474	11,803	843	4,617	17,263
Travel	3,498	184	-	257	3,939	2,507	604	427	3,538
Utilities	34,544	1,710	-	1,755	38,009	25,654	971	971	27,596
Wellness	5,034	-	-	-	5,034	4,764	-	-	4,764
Total Before Depreciation	1,810,275	117,244	173,059	223,838	2,324,416	1,801,118	105,914	223,142	2,130,174
Depreciation	41,053	2,831	3,144	2,789	49,817	52,889	1,391	2,689	56,969
Total Expenses	\$ 1,851,328	\$ 120,075	\$ 176,203	\$ 226,627	\$ 2,374,233	\$ 1,854,007	\$ 107,305	\$ 225,831	\$ 2,187,143

See notes to financial statements.

**FAITH FAMILY MEDICAL CENTER, INC.**  
**Statements of Cash Flows**  
**For the Years Ended December 31, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
<b>Cash Flows from Operating Activities</b>		
Change in Net Assets	\$ 2,957,646	\$ 2,139,483
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	49,817	56,969
Donated Property and Equipment	(203,250)	(25,000)
Donated Investments	(117,521)	(536,684)
Realized Gain on Sale of Investments	(586)	(350,469)
Unrealized Loss on Investments	213,075	135,161
Dividends Re-Invested	(91,208)	(62,667)
(Increase) Decrease in:		
Contributions and Grants Receivable, Net	194,926	(725,656)
Accounts Receivable	(328)	(4,489)
Prepaid Expenses	4,452	(7,262)
Contributions Restricted for Capital Campaign	(652,246)	-
Deposits	-	1,695
Increase (Decrease) in:		
Accounts Payable	(3,119)	4,327
Tenant Deposits Payable	-	2,545
Earned Time Off	8,682	(13,802)
Accrued Payroll and Taxes	12,544	5,155
Total Adjustments	<u>(584,762)</u>	<u>(1,520,177)</u>
Net Cash Provided by Operating Activities	<u>2,372,884</u>	<u>619,306</u>
<b>Cash Flows from Investing Activities</b>		
Proceeds from the Sale of Investments	861,501	2,840,779
Payments for the Purchase of Investments	(1,846,196)	(2,126,037)
Payments for the Purchase of Property and Equipment	<u>(1,203,547)</u>	<u>(10,675)</u>
Net Cash (Used) Provided by Investing Activities	<u>(2,188,242)</u>	<u>704,067</u>
<b>Cash Flows from Financing Activities</b>		
Collections of Contributions Restricted for Capital Campaign	660,867	-
Borrowings on Notes Payable	-	29,755
Payments on Notes Payable	<u>(1,092,712)</u>	<u>(32,288)</u>
Net Cash Used by Financing Activities	<u>(431,845)</u>	<u>(2,533)</u>
<b>Net (Decrease) Increase in Cash</b>	(247,203)	1,320,840
<b>Cash - Beginning of Year</b>	<u>1,831,671</u>	<u>510,831</u>
<b>Cash - End of Year</b>	<u><u>\$ 1,584,468</u></u>	<u><u>\$ 1,831,671</u></u>

See notes to financial statements.

**FAITH FAMILY MEDICAL CENTER, INC.**  
**Notes to Financial Statements**  
**December 31, 2018 and 2017**

**Note 1. Summary of Significant Accounting Policies**

**A. Organization and Nature of Activities**

Faith Family Medical Center, Inc. (the Center) is organized under the laws of the State of Tennessee to provide primary medical care and related healthcare services to working uninsured and other underserved individuals and their families in the greater Nashville area. The Center 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 (GAAP).

**C. Financial Statement Presentation**

Financial statement presentation is reported in accordance with the Financial Accounting Standards Board (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:

Net Assets Without Donor Restrictions: Net assets that are not subject to donor imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Center's management and the board of directors.

Net Assets With Donor Restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Center or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

**D. Estimates**

The preparation of financial statements in conformity with GAAP 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 statements 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, 2018 and 2017.

**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.

**G. Accounts Receivable**

Accounts receivable consists primarily of amounts due from patients for services provided by the Center. 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. Accounts receivable as of December 31, 2018 and 2017 are expected to be collected within one year. As a result, management has determined that an allowance for uncollectible accounts is not necessary.



**FAITH FAMILY MEDICAL CENTER, INC.**  
**Notes to Financial Statements – Continued**  
**December 31, 2018 and 2017**

**Note 1. Summary of Significant Accounting Policies – Continued**

**H. Property and Equipment**

It is the Center's policy to capitalize property and equipment over \$1,000. Purchased property and equipment are recorded at cost or estimated fair market value if donated. Depreciation is provided using the straight-line methods over the estimated useful lives of the assets ranging from 3 to 30 years. Repairs and maintenance are expensed as incurred. Total depreciation expense for the years ended December 31, 2018 and 2017 is \$49,817 and \$56,969.

**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. Employees use their earned time off for vacation, personal time, sick days and eight holidays. Eligible part-time employees earn leave on a pro-rata basis based on the number of hours worked. Full-time employees earn leave days per year as follows:

Years of Service:	Hired Prior to December 31, 2009	Hired After January 1, 2010
Up to five years consecutive service	30	25
Five to ten years consecutive service	35	30
Ten years of consecutive service and subsequent	40	35

No more than one and one-half the amount of annual leave hours earned may accrue at any one time. At December 31, 2018 and 2017, earned time off is \$83,033 and \$74,351.

**K. Medical Services Revenue**

Medical services revenue is recorded at the Center's established rates with charity allowances deducted to arrive at net medical services revenue.

**L. Contributions**

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence of any donor-imposed restrictions. Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Contributed goods and assets are recorded at estimated 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.

**FAITH FAMILY MEDICAL CENTER, INC.**  
**Notes to Financial Statements – Continued**  
**December 31, 2018 and 2017**

**Note 1. Summary of Significant Accounting Policies – Continued**

**L. Contributions – Continued**

Contributed services are reflected in the financial statements at the estimated 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.

**M. Program and Supporting Services**

The following program and supporting services are included in the accompanying financial statements:

Program Services – includes the direct cost of providing affordable, quality primary medical care to those who are uninsured or underinsured.

Management and General – includes the functions necessary to ensure an adequate working environment and costs not identifiable with a single program. Applicable costs include those associated with providing coordination and articulation of the Center's program strategy, business management, general record keeping, budgeting and related purposes.

Capital Campaign Fundraising - includes costs of activities directed toward appeals for financial support of the ongoing capital campaign.

Other Fundraising - includes costs of activities directed toward appeals for financial support, including special events and the ongoing capital campaign. Other activities include the cost of solicitations and creation and distribution of fundraising materials.

**N. Functional Expenses**

The costs of providing program services have been summarized on a functional basis in the statements of activities. Some costs have been charged using specific identification. The costs that include a reasonable allocation method are as follows:

<b>Expense</b>	<b>Method of Allocation</b>
Building Repairs and Maintenance	Square Footage
Salaries, Taxes and Benefits	Time and Effort
Insurance	Time and Effort
Loan Interest	Square Footage
Meals	Time and Effort
Miscellaneous	Time and Effort
Postage and Handling	Time and Effort
Printing and Publications	Time and Effort
Rent – Building	Square Footage
Rent – Equipment	Square Footage
Supplies – Office	Time and Effort
Travel	Time and Effort
Utilities	Square Footage

**O. Advertising Costs**

Advertising costs are charged to operations when incurred. Advertising expense is \$38,872 and \$39,208 for the years ended December 31, 2018 and 2017.

**P. Income Taxes**

The Center is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code except on net income derived from unrelated business activities.

**FAITH FAMILY MEDICAL CENTER, INC.**  
**Notes to Financial Statements – Continued**  
**December 31, 2018 and 2017**

**Note 1. Summary of Significant Accounting Policies – Continued**

**Q. New Accounting Pronouncement – Continued**

In August 2016, FASB Issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) *Presentation of Financial Statements of Not-for Profit Entities*. ASU 2016-14 addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Center has presented these statements in accordance with the new standard.

**R. Reclassifications**

Certain reclassifications have been made to the 2017 financial statements to conform to the 2017 presentation.

**Note 2. Availability and Liquidity**

The following represents the Center's financial assets at December 31, 2018:

Financial assets:	<b>2018</b>
Cash	\$ 1,584,468
Investments	2,964,858
Contributions receivable	928,127
Accounts receivable	9,304
Total financial assets at year end:	<u>5,486,757</u>
Less amounts not available to be used within one year:	
Net assets with donor restrictions	3,363,732
Less net assets with time or purpose restrictions to be met in less than a year	<u>(1,456,421)</u>
	<u>1,907,311</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 3,579,446</u>

The Center's goal is to maintain financial assets to meet three months of operating expenses which is estimated by the Center to be \$502,575. As part of its liquidity plan, excess cash is invested in money market accounts and investments in stocks and bonds.

**Note 3. Fair Value Measurements**

The following assets carried at fair value are reviewed and adjusted on a recurring basis:

<b>Asset</b>	<b>Fair Value December 31, 2018</b>	<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>
Investments	\$ 2,964,858	\$ 2,964,858

  

<b>Asset</b>	<b>Fair Value December 31, 2017</b>	<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>
Investments	\$ 1,983,923	\$ 1,983,923

**FAITH FAMILY MEDICAL CENTER, INC.**  
**Notes to Financial Statements – Continued**  
**December 31, 2018 and 2017**

**Note 4. Investments**

Investments at December 31, 2018 and 2017 are as follows:

	<b>2018</b>		
	<b>Cost</b>	<b>Fair Market Value</b>	<b>Cumulative Unrealized Gain (Loss)</b>
Mutual Funds	\$ 2,615,090	\$ 2,470,685	\$ (144,405)
Exchange-Traded Funds	528,919	494,173	(34,746)
	<u>\$ 3,144,009</u>	<u>\$ 2,964,858</u>	<u>\$ (179,151)</u>

  

	<b>2017</b>		
	<b>Cost</b>	<b>Fair Market Value</b>	<b>Cumulative Unrealized Gain (Loss)</b>
Mutual Funds	\$ 1,474,165	\$ 1,475,519	\$ 1,354
Exchange-Traded Funds	490,344	508,404	18,060
	<u>\$ 1,964,509</u>	<u>\$ 1,983,923</u>	<u>\$ 19,414</u>

Investment income for the years ended December 31, 2018 and 2017 consist of the following:

	<b>2018</b>	<b>2017</b>
Realized Gain, Net	\$ 586	\$ 350,469
Unrealized Loss, Net	(213,075)	(135,161)
Interest and Dividend Income	119,672	76,719
Investment Fees	(14,206)	(4,166)
Total Investment (Loss) Income	<u>\$ (107,023)</u>	<u>\$ 287,861</u>

**Note 5. Contributions and Grants Receivable**

The amounts of contributions and grants receivable as of December 31, 2018 and 2017 are as follows:

	<b>2018</b>	<b>2017</b>
Contributions and Grants Receivable	\$ 976,755	\$ 1,162,920
Less:		
Discounts for the Time Value of Money	(43,828)	(35,067)
Allowance for Doubtful Accounts	(4,800)	(4,800)
Contributions and Grants Receivable, Net	<u>\$ 928,127</u>	<u>\$ 1,123,053</u>

Future collections of contributions and grants as of December 31, 2018 and 2017 are as follows:

	<b>2018</b>	<b>2017</b>
Receivable in Less than One Year	\$ 556,110	\$ 819,221
Receivable in One to Five Years	372,017	303,832
Total Receivables	<u>\$ 928,127</u>	<u>\$ 1,123,053</u>

Gross contributions have been discounted to account for the time value of money using the discount rate of 4.5%. The rate was determined using a risk adjusted discount rate technique after an allowance had been established.

**Note 6. Long-Term Debt**

The Center had a long-term note payable to Pinnacle Bank in the original amount of \$1,125,000. Interest only payments were being made monthly at a rate of 4.25%. The principal balance of the note was paid in full during 2018.

**FAITH FAMILY MEDICAL CENTER, INC.**  
**Notes to Financial Statements – Continued**  
**December 31, 2018 and 2017**

**Note 7. Net Assets**

Net assets with donor restrictions were as follows for the years ended December 31, 2018 and 2017:

	<b>2018</b>	<b>2017</b>
Journey to Health Program	\$ 47,000	\$ 20,000
Medical Exams for Women	7,500	7,500
Medical Equipment	-	3,500
Capital Campaign	3,144,111	2,147,025
Technology	32,921	-
Other Time Restrictions	132,200	181,400
	<u>\$ 3,363,732</u>	<u>\$ 2,359,425</u>

**Note 8. Conditional Promise to Give**

During the years ended December 31, 2018 and 2017, the Center was awarded Health Care Safety Net grants from the State of Tennessee. These grants reimburse the Center for primary care medical encounters provided to adults meeting the grant criteria. Once grant criteria are met, the Center recognizes grant revenue and a receivable.

**Note 9. Donated Property, Equipment and Services**

Donated property, equipment and services are used in the ongoing operations of the Center. 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, 2018 and 2017 are as follows:

<b>Revenues</b>	<b>2018</b>	<b>2017</b>
Donated Medical Services	\$ 71,707	\$ 75,936
Donated Equipment, Supplies, and Other Services	293,260	66,409
Donated Rent	66,732	65,810
	<u>\$ 431,699</u>	<u>\$ 208,155</u>
<b>Expenses and Assets</b>	<b>2018</b>	<b>2017</b>
Donated Services and Supplies	\$ 134,171	\$ 107,657
Property and Equipment	224,184	25,000
Rent - Building	66,732	65,810
Utilities	6,612	6,612
Printing, Publishing and Advertising	-	3,076
	<u>\$ 431,699</u>	<u>\$ 208,155</u>

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

**Note 10. Pension Plan**

The Center 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 Center for one year. The plan provides for discretionary contributions by the Center 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, 2018 and 2017, the Center funded 6% of compensation for eligible employees for a total of \$51,355 and \$53,587.

**Note 11. Operating Leases**

The Center leases a donated medical office building from Saint Thomas Midtown Hospital. The 3,400 square foot building is located at 326 21st Avenue North in Nashville, Tennessee. The fair market retail value for the years ended December 31, 2018 and 2017 of the building is \$20.83 per square foot or \$70,822 and \$19.63 per square foot or \$66,742, respectively.

**FAITH FAMILY MEDICAL CENTER, INC.**  
**Notes to Financial Statements – Continued**  
**December 31, 2018 and 2017**

**Note 11. Operating Leases – Continued**

Using the funds raised by the capital campaign, the Center plans to construct a new primary care medical clinic on property owned by the Center and adjacent to the current leased medical office building. Under terms of the negotiated lease expiring on December 31, 2067, the Center will demolish the existing medical office building and replace it with a parking lot to be used by the new primary care medical clinic owned by the Center.

The Center leases copiers for a monthly payment of \$466. The lease terminates in April 2023.

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, 2018:

<b>Operating Leases</b>	
<b>Year Ending</b>	
<b>December 31,</b>	<b>Amount</b>
2019	\$ 35,382
2020	5,592
2021	5,592
2022	5,592
2023	1,864
Total	<u>\$ 54,022</u>

Rental expense for all operating leases for the years ended December 31, 2018 and 2017 is \$75,760 and \$97,907.

**Note 12. Concentration of Risks**

The Center is conducting a three year capital campaign to fund the expansion of its facilities. The campaign was started in 2017. The significant increase in revenue compared to prior years is due to contributions and grants from this campaign. For the year ended December 31, 2018, two capital campaign donors accounted for 37% of total revenue and support. For the year ended December 31, 2017, one capital campaign donor accounted for 16% of total revenue and support.

The Center holds cash with three financial institutions in Nashville, Tennessee. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At December 31, 2018 and 2017, the Center's cash accounts exceeded the insurance coverage by \$987,247 and \$889,920. The Center believes it is not exposed to any significant credit risk on cash and equivalents.

**Note 13. Supplemental Cash Flow Disclosure**

Supplemental cash flow disclosure is as follows for the years ended December 31, 2018 and 2017:

	<b>2018</b>	<b>2017</b>
Cash Paid During the Year for:		
Interest	<u>\$ 54,746</u>	<u>\$ 8,102</u>
Noncash Financing Activities:		
Property Acquired with Debt	<u>\$ -</u>	<u>\$ 1,095,245</u>
Reconciliation of Cash to Statements of Financial Position:		
Cash - Without Donor Restrictions	\$ 454,933	\$ 600,761
Cash - Restricted by Donors for Long-Term Assets	<u>1,129,535</u>	<u>1,230,910</u>
	<u>\$ 1,584,468</u>	<u>\$ 1,831,671</u>

**FAITH FAMILY MEDICAL CENTER, INC.**  
**Notes to Financial Statements – Continued**  
**December 31, 2018 and 2017**

**Note 14. Upcoming Accounting Pronouncements**

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. This new accounting guidance will increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. This standard is effective for nonpublic entities for fiscal years beginning after December 15, 2019.

In August 2018, the FASB issued ASU 2018-08. This standard clarifies the scope and the accounting guidance for contributions received and contributions made. ASU 2018-08 will result in treatment of most federal grants as donor-restricted conditional contributions rather than exchange transactions and applies to all entities that make or receive contributions. This standard is effective for nonpublic entities for fiscal years beginning after December 15, 2020.

The Center is currently evaluating the effect that implementation of the new standards will have on its financial position, results of operations, and cash flows.

**Note 15. Subsequent Events**

The Center has evaluated events and transactions for subsequent events that would impact the financial statements for the year ended December 31, 2018 through April 30, 2019, the date the financial statements were available to be issued.