INTERFAITH DENTAL CLINIC OF NASHVILLE

FINANCIAL STATEMENTS

As of and for the Years Ended June 30, 2018 and 2017

And Report of Independent Auditor

Cherry Bekaert LLP
CPAs & Advisors

INTERFAITH DENTAL CLINIC OF NASHVILLE

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Cherry Bekaert LLP
CPAs & Advisors

Report of Independent Auditor

To the Board of Directors
Interfaith Dental Clinic of Nashville
Nashville, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of Interfaith Dental Clinic of Nashville (a nonprofit organization), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 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 Interfaith Dental Clinic of Nashville as of June 30, 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.

Prior Year Financial Statements

The financial statements of Interfaith Dental Clinic of Nashville as of June 30, 2017, were audited by other auditors whose report dated September 29, 2017, expressed an unmodified opinion on those statements.

Cherry Bekaert LLP

Nashville, Tennessee
October 5, 2018

INTERFAITH DENTAL CLINIC OF NASHVILLE
STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2018 AND 2017

	2018	2017
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 1,360,872	$ 54,168
Investments	305,897	268,041
Pledges receivable, net	464,054	93,553
Accounts receivable, net	77,962	115,347
Prepaid expenses	13,463	11,570
Total Current Assets	2,222,248	542,679
Property and equipment, net	3,110,601	1,086,885
Property held for sale, net	-	893,576
Security deposit	1,602	5,852
Restricted Assets:		
Cash	10,500	35,001
Pledges receivable, net	-	139,671
Beneficial interest in agency endowment fund held by the Community Foundation of Middle Tennessee	14,616	13,672
Total Assets Whose Use is Limited	25,116	188,344
Total Assets	$ 5,359,567	$ 2,717,336
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Installment note payable, current portion	$ -	$ 22,778
Accounts payable and accrued expenses	360,079	119,519
Patient credits	56,413	36,348
Deferred revenue	72,844	-
Total Current Liabilities	489,336	178,645
Long-Term Liabilities:		
Line of credit	-	129,000
Installment note payable, less current portion	-	300,689
Total Long-Term Liabilities	-	429,689
Total Liabilities	489,336	608,334
Net Assets:		
Unrestricted net assets:		
Undesignated	2,961,169	1,614,133
Board designated	319,821	306,525
Total Unrestricted Net Assets	3,280,990	1,920,658
Restricted net assets:		
Temporarily restricted	1,574,625	174,672
Permanently restricted	14,616	13,672
Total Restricted Net Assets	1,589,241	188,344
Total Net Assets	4,870,231	2,109,002
Total Liabilities and Net Assets	$ 5,359,567	$ 2,717,336

INTERFAITH DENTAL CLINIC OF NASHVILLE
STATEMENTS OF ACTIVITIES

YEAR ENDED JUNE 30, 2018

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Public Support and Revenue:				
Patient fees	$ 1,004,280	$ -	$ -	$ 1,004,280
Education Center	7,201	-	-	7,201
Consulting	51,833	-	-	51,833
Net unrealized and realized gains on investments	36,661	-	944	37,605
Other income	1,261	-	-	1,261
United Way	181,564	-	-	181,564
Government grants	795,949	-	-	795,949
Individual contributions	293,925	159,525	-	453,450
Foundation contributions	333,093	973,400	-	1,306,493
Corporate contributions	55,789	8,200	-	63,989
Gain on sale of building, net of transaction costs	1,654,791	441,321	-	2,096,112
Special event revenue, net of cost of direct benefits to donors (Note 16)	291,302	-	-	291,302
Donated professional services	699,148	-	-	699,148
Donated supplies and equipment	91,182	-	-	91,182
Net assets released from restrictions	182,493	(182,493)	-	-
Total Public Support and Revenue	5,680,472	1,399,953	944	7,081,369
Expenses:				
Program services:				
Dental services	3,616,750	-	-	3,616,750
Supporting services:				
Management and general	287,540	-	-	287,540
Fundraising and special events	415,850	-	-	415,850
Total Expenses	4,320,140	-	-	4,320,140
Increase in net assets	1,360,332	1,399,953	944	2,761,229
Net assets, beginning of year	1,920,658	174,672	13,672	2,109,002
Net assets, end of year	$ 3,280,990	$ 1,574,625	$ 14,616	$ 4,870,231

INTERFAITH DENTAL CLINIC OF NASHVILLE
STATEMENTS OF ACTIVITIES

YEAR ENDED JUNE 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Public Support and Revenue:				
Patient fees	$ 998,963	$ -	$ -	$ 998,963
Education Center	40,306	-	-	40,306
Consulting	69,000	-	-	69,000
Net unrealized and realized gains on investments	26,496	-	2,755	29,251
Other income	285	-	-	285
United Way	192,235	-	-	192,235
Government grants	183,935	-	-	183,935
Individual contributions	51,648	249,662	-	301,310
Foundation contributions	583,045	121,826	-	704,871
Corporate contributions	68,557	-	-	68,557
Church contributions	29,026	-	-	29,026
Loss from disposal of equipment	(243)	-	-	(243)
Special event revenue, net of cost of direct benefits to donors (Note 18)	219,089	-	-	219,089
Donated professional services	716,504	-	-	716,504
Donated supplies and equipment	120,026	-	-	120,026
Net assets released from restrictions	614,957	(614,957)	-	-
Total Public Support and Revenue	3,913,829	(243,469)	2,755	3,673,115
Expenses:				
Program services:				
Dental services	3,273,797	-	-	3,273,797
Supporting services:				
Management and general	272,914	-	-	272,914
Fundraising and special events	372,482	-	-	372,482
Total Expenses	3,919,193	-	-	3,919,193
Increase (decrease) in net assets	(5,364)	(243,469)	2,755	(246,078)
Net assets, beginning of year	1,926,022	418,141	10,917	2,355,080
Net assets, end of year	$ 1,920,658	$ 174,672	$ 13,672	$ 2,109,002

INTERFAITH DENTAL CLINIC OF NASHVILLE
STATEMENTS OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2018

	Program Services	Supporting Services		
	Dental Services	Management and General	Fundraising and Special Events	Total
Salaries	$ 1,504,016	$ 197,897	$ 277,056	$ 1,978,969
Payroll taxes and benefits	237,720	31,279	43,790	312,789
Total payroll and related expenses	1,741,736	229,176	320,846	2,291,758
Advertising	1,090	-	3,865	4,955
Communication	22,492	511	2,556	25,559
Computer support, upgrades, and repairs	30,015	667	2,668	33,350
Continuing education, travel, volunteer, and employee recognition	14,134	1,829	665	16,628
Contract labor	9,577	-	-	9,577
Dental equipment, repairs, and maintenance	9,140	-	-	9,140
Dental lab	146,725	-	-	146,725
Dental supplies	145,668	-	-	145,668
Depreciation and amortization	139,178	703	703	140,584
In-kind expense	90,270	456	456	91,182
Donated professional services	699,148	-	-	699,148
Education Center	980	-	-	980
Fundraising	-	-	21,532	21,532
Insurance	32,321	3,461	917	36,699
Interest	5,063	476	417	5,956
Travel	6,865	276	2,013	9,154
Miscellaneous	-	1,475	-	1,475
Dues and licenses	-	28,998	-	28,998
Occupancy	166,808	9,478	13,269	189,555
Office supplies	4,090	584	1,169	5,843
Payroll processing fees	5,228	688	963	6,879
Printing and postage	18,346	1,310	6,552	26,208
Professional services	327,876	7,452	37,259	372,587
	$ 3,616,750	$ 287,540	$ 415,850	$ 4,320,140

INTERFAITH DENTAL CLINIC OF NASHVILLE

STATEMENTS OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2017

	Program Services	Supporting Services		
	Dental Services	Management and General	Fundraising and Special Events	Total
Salaries	$ 1,431,343	$ 188,334	$ 263,669	$ 1,883,346
Payroll taxes and benefits	224,844	28,667	40,135	293,646
Total payroll and related expenses	1,656,187	217,001	303,804	2,176,992
Advertising	1,221	-	4,328	5,549
Communication	27,008	613	3,069	30,690
Computer support, upgrades, and repairs	24,146	537	2,146	26,829
Continuing education, travel, volunteer, and employee recognition	17,667	2,285	831	20,783
Dental equipment, repairs, and maintenance	10,812	-	-	10,812
Dental lab	162,054	-	-	162,054
Dental supplies	210,574	-	-	210,574
Depreciation and amortization	183,953	999	1,000	185,952
In-kind expense	94,271	475	476	95,222
Donated professional services	740,408	-	-	740,408
Education Center	7,952	-	-	7,952
Fundraising	-	-	36,144	36,144
Insurance	27,114	2,903	770	30,787
Interest	13,536	1,273	1,115	15,924
Janitorial	14,272	571	4,186	19,029
Travel	6,858	274	2,011	9,143
Miscellaneous	-	12,910	-	12,910
Dues and licenses	-	28,045	-	28,045
Occupancy	40,108	2,278	3,190	45,576
Office supplies	4,720	674	1,348	6,742
Payroll processing fees	4,906	646	904	6,456
Printing and postage	17,256	1,232	6,163	24,651
Professional services	8,774	198	997	9,969
	$ 3,273,797	$ 272,914	$ 372,482	$ 3,919,193

INTERFAITH DENTAL CLINIC OF NASHVILLE

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
Cash flows from operating activities:		
Change in net assets	$ 2,761,229	$ (246,078)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Change in allowances for doubtful accounts	17,410	(10,380)
Depreciation and amortization	140,584	185,952
Net unrealized and realized gains on investments	(25,884)	(26,496)
Gain on sale of building, net of transaction costs	(2,096,112)	-
Change in discount of pledges to present value	(2,710)	19,930
Changes in operating assets and liabilities:		
Pledges receivable, net	(341,753)	38,013
Accounts receivable, net	(6,063)	16,475
Prepaid expenses	(1,893)	856
Security deposit	4,250	(337)
Restricted assets	163,228	166,233
Accounts payable and accrued expenses	240,560	111,118
Patient credits	20,065	(3,530)
Deferred revenue	72,844	-
Net cash provided by operating activities	945,754	251,756
Cash flows from investing activities:		
Purchase of investments	(192,411)	(153,449)
Proceeds from sale of investments	180,439	109,267
Disposals of property and equipment	903,432	2,980
Donated capital assets	-	(900)
Purchase of property and equipment	(2,174,156)	(178,286)
Gain on sale of building, net of transaction costs	2,096,112	-
Purchase of assets restricted to investment in property and equipment	-	(9,326)
Net cash used in investing activities	813,416	(229,714)
Cash flows from financing activities:		
Contributions restricted for purchasing equipment	-	9,326
Payments on installment note payable	(323,467)	(19,607)
Payments on line of credit	(129,000)	-
Net cash used in financing activities	(452,467)	(10,281)
Net increase in cash and cash equivalents	1,306,704	11,761
Cash and cash equivalents, beginning of year	54,168	42,407
Cash and cash equivalents, end of year	$ 1,360,872	$ 54,168
Supplemental disclosure of cash flow information:		
Cash paid for interest	5,956	$ 15,924
Noncash donation of equipment	$ -	$ 900

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

Note 1—Summary of significant accounting policies

Nature of Activities and Program Description – Interfaith Dental Clinic of Nashville (the "Organization") is a Tennessee nonprofit organization dedicated to providing affordable dental care to uninsured working poor families and those over age 65 by providing access to affordable quality dental care, oral disease prevention services, and oral health education. The Organization serves patients in ten Middle Tennessee counties.

Education Center – The Organization's education center was developed to provide continuing education and technical training for dental professionals that seek to grow their proficiency in many areas through hands-on experiences. The programs include training in understanding the culture of poverty, experiences in cross-culture settings, and individualized behavioral health.

Basis of Presentation – The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported 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 may, or will be, met by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.
>
> *Permanently Restricted Net Assets* – Net assets subject to donor-imposed stipulations which require the assets to be permanently maintained. Generally, the donors of these assets permit us to use all or part of the income earned and any related investments for general or specific purposes.

Cash and Cash Equivalents – For the purposes of the statements of cash flows, the Organization considers all unrestricted cash and investment instruments purchased with an original, maturity date of 90 days or less from the date of issuance to be a cash equivalent.

Investments – Investments in equity securities with readily determinable fair values, mutual funds, and all investments in debt securities are reported at their fair values in the statements of financial position. The fair values of these investments are based on quoted market prices. Donated securities are recognized at the fair value on the date of the contribution. All interest, dividends, and unrealized gains and losses are reported in the statements of activities as increases or decreases in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulations or by law.

Agency Endowment Fund – The Organization's beneficial interest in an agency endowment fund held by the Community Foundation of Middle Tennessee is recognized as an asset. Investment income and changes in the value are recognized in the statements of activities. Distributions received from the fund are recorded as decreases in the beneficial interest. The beneficial interest has been classified as a permanently restricted net asset on the statements of financial position.

Note 1—Summary of significant accounting policies (continued)

Pledges Receivable – Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Unconditional promises to give are recorded when the promises are made. Donor restricted contributions are reported as increases to temporarily or permanently restricted net assets. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Unconditional promises to give due in the next year are reflected as current promises to give and are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reflected as long-term promises to give and are recorded at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the promises are received to discount the amounts.

The Organization uses the allowance method to determine uncollectible unconditional pledges receivable. The allowance is based on prior years' experience and the Organization's analysis of specific promises made. An allowance for uncollectible pledges totaled $27,478 and $53,516, respectively, as of June 30, 2018 and 2017.

Accounts Receivable – Accounts receivable are due from patients, third party payers and government grants. Third party payer receivables are generally collected within industry norms. Collections are continuously monitored and an allowance for estimated uncollectible receivables is maintained based upon historical experience and specifically identified payer collection issues. The allowance for uncollectible receivables totaled $52,293 and $8,845, respectively, as of June 30, 2018 and 2017.

Property and Equipment – Property and equipment is recorded at cost, or if donated, at the estimated fair market value at the date of donation. If equipment is donated, the donor can stipulate how long the assets must be used, and the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support. The Organization's capitalization policy is to capitalize any expenditure over $5,000 for property and equipment. Depreciation is provided utilizing the straight-line method over the estimated useful lives of the respective assets. Expenditures for repairs and maintenance are charged to expense as incurred.

Contributions – All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a 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 statements of activities as net assets released from restrictions.

In-Kind Contributions – The Organization receives various types of in-kind support including supplies, equipment, and professional services. Contributed professional services are recognized if the services received (a) create or enhance non-financial assets or (b) require specialized skills provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributed professional dental services are recorded at their fair values in the period received. These services meet the requirements for recognition in the financial statements and have been recorded or reflected in the accompanying financial statements (see Note 11).

Patient Fees – Fees are charged to the patients on a sliding scale based on their ability to pay according to the Federal Poverty Guidelines for Tennessee. The market value for services performed during the year ended June 30, 2018 and 2017, was $6,133,161 and $5,192,498, respectively. The discount between market value and patient fees recognized fluctuates with patient mix. The majority of patients are charged 20% of market value.

Note 1—Summary of significant accounting policies (continued)

Compensated Absences – Full-time employees are defined as those working 30 hours or more per week. Vacation pay is calculated based on each employee's regularly scheduled hours per week and is granted based upon each employee's employment contract.

Functional Allocation of Expenses – The costs of providing program services and supporting services have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on estimates made by management.

Income Taxes – The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and is not a private foundation. Accordingly, no provision for income taxes has been made. There were no unrelated business income for the years ended June 30, 2018 and 2017.

The Organization follows Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") guidance related to unrecognized tax benefits. The guidance clarifies the accounting for uncertainty in income taxes recognized in an organization's financial statements. This guidance prescribes a minimum probability threshold that a tax position must meet before a financial statement benefit is recognized. The minimum threshold is defined as a tax position that is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than 50% likely of being realized upon ultimate settlement. The Organization has no tax penalties or interest reported in the accompanying combined financial statements.

Use of Estimates – The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

Advertising – Advertising costs are expensed as incurred. Advertising expense totaled $4,955 and $5,549 for the years ended June 30, 2018 and 2017, respectively.

Subsequent Events – The Organization evaluated subsequent events through October 5, 2018, when these financial statements were available to be issued.

Note 2—Accounts receivable

Accounts receivable consisted of the following at June 30:

	2018	2017
Patient accounts receivable	$ 89,507	$ 87,202
Government grant receivables	32,535	36,990
Education center receivables	8,213	-
	130,255	124,192
Less allowance for doubtful accounts	(52,293)	(8,845)
	$ 77,962	$ 115,347

Note 3—Pledges receivable

Pledges receivable consisted of the following at June 30:

	2018	2017
Due in less than one year	$ 464,054	$ 108,163
Due in one to five years	42,348	190,738
	506,402	298,901
Less discounts to net present value	(14,870)	(12,161)
Less allowance for doubtful accounts	(27,478)	(53,516)
Net contributions receivable	$ 464,054	$ 233,224

Gross contributions have been discounted to account for the time value of money using discount rates ranging from 2.61% to 5.5%. The rates were determined using the interest method after an allowance had been established.

Note 4—Investments

The Organization follows the Fair Value Measurement topic of the FASB ASC, which establishes a framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are described below:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 – Inputs to the valuation methodology include the following:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The Organization's fixed income securities and equities are valued at the closing price reported on the active market on which the individual securities are traded. There have been no changes in the methodologies used at June 30, 2018 and 2017.

Note 4—Investments (continued)

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Organization's investments at fair value as of June 30, 2018:

	2018			
	Level 1	**Level 2**	**Level 3**	**Total**
Stocks	$ 297,216	$ -	$ -	$ 297,216
Exchange Traded Funds	8,681	-	-	8,681
Beneficial interest in agency Endowment fund held by The Community Foundation of Middle Tennessee	14,616	-	-	14,616
	$ 320,513	$ -	$ -	$ 320,513

The following table sets forth by level, within the fair value hierarchy, the Organization's investments at fair value as of June 30, 2017:

	2017			
	Level 1	**Level 2**	**Level 3**	**Total**
Stocks	$ 254,017	$ -	$ -	$ 254,017
Exchange Traded Funds	14,024	-	-	14,024
Beneficial interest in agency Endowment fund held by The Community Foundation of Middle Tennessee	13,672	-	-	13,672
	$ 281,713	$ -	$ -	$ 281,713

At June 30, 2018 and 2017, interest and dividends earned from these investments totaled $8,159 and $6,679, respectively. Net unrealized and realized gains on investments amounted to $37,605 and $29,251 for June 30, 2018 and 2017, respectively.

Note 4—Investments (continued)

The Organization holds investments contributed to the 1998 Building Reserve Fund and the Graham Memorial Fund in various equity securities and cash. Investments consisted of the following at June 30:

Reserve Fund

	2018	2017
Cash/Money Market Accounts	$ 10,011	$ 11,837
Stocks	207,783	186,992
Exchange Traded Funds	5,968	10,397
	$ 223,762	$ 209,226

Graham Memorial Fund

	2018	2017
Cash/Money Market Accounts	$ 3,913	$ 26,647
Stocks	89,433	67,025
Exchange Traded Funds	2,713	3,627
	$ 96,059	$ 97,299

Note 5—Property and equipment

Property and equipment consisted of the following at June 30:

	2018	2017
Land	$ 175,000	$ 175,000
Buildings and improvements	678,630	688,486
Dental equipment	1,228,335	1,148,903
Office equipment and software	289,333	355,131
Construction in progress	2,159,728	-
	4,531,026	2,367,520
Less accumulated depreciation	(1,420,425)	(1,280,635)
Property and equipment, net	$ 3,110,601	$ 1,086,885

During October 2017, the Organization sold Nashville property at 1721 Patterson Street for $3,200,000. A net gain on the sale of the building of $2,096,112 was recorded in the statement of activities for the year ended June 30, 2018. Proceeds from the sale were used to pay off outstanding debt (see Note 6) and to fund the $1,500,000 purchase of property at 600 Hill Avenue in Nashville. The Organization plans to spend approximately $5,500,000 on remodeling the 30,000 square-foot building at 600 Hill Avenue with plans to relocate there by the end of 2018. The remodeling costs will be funded by the Organization's capital campaign along with proceeds from the sale of property and the new market tax credit program (see Note 18). The Organization also plans to lease approximately 14,400 square feet of the Hill Avenue property to tenants.

The Organization is leasing the 1721 Patterson Street property for clinic and office space until the remodeling of the 600 Hill Avenue property is completed.

Note 6—Line of credit and installment note payable

At June 30, 2017, the Organization had borrowed $129,000 on a line of credit with a credit limit of $350,000. The line of credit is secured with all of the Organization's business assets and has an interest rate at the bank's prime rate plus .50% (4.75% at June 30, 2017). Interest only was due monthly until maturity in February 2019. The line of credit balance was paid off during October 2017 with proceeds from the sale of the Patterson Street property (see Note 5) and there is no balance outstanding at June 30, 2018.

The installment note payable consisted of the following at June 30:

	2018	2017
Note payable to Pinnacle Bank. Principle and interest payments of $3,126 were due monthly with remaining balance of principal and interest due July 30, 2028. Interest was charged at 4.75%. Collateral for the note payable consisted of a first mortgage on the property located at 1721 Patterson Street in Nashville, Tennessee, and equipment purchased for the Murfreesboro clinic. This note was paid off with proceeds from the sale of the Patterson Street property (see Note 5).	$ -	$ 323,467
Less current portion	-	(22,778)
	$ -	$ 300,689

Note 7—Unrestricted net assets

Board-designated net assets are available for the following purposes:

Clinic Emergency and Building Maintenance – This account is intended to provide funds necessary for emergency building maintenance beyond what is budgeted in our fiscal budget. It is also intended to serve as potential seed money for the establishment of an endowment account.

Graham Memorial Fund – This fund is for the specific purpose of offsetting the cost of care for those patients who are unable to meet the 20% pay requirement, ensuring the proceeds are used directly for patient care. On the first day of the month of the last month of the quarter, a rolling 5% will be calculated and sent to the clinic and deposited into the operating account before the last day of the quarter.

A summary of board designated net assets at June 30 is as follows:

	2018	2017
Clinic emergency and building maintenance	$ 223,762	$ 209,226
Graham Memorial Fund	96,059	97,299
	$ 319,821	$ 306,525

Note 8—Temporarily restricted net assets

Each pledge receivable balance is a restricted asset based on the donor's wishes for their promise to give to be used for operations in the year they give the money. Once the time restriction has been satisfied, the receivables are released from restriction.

Temporarily restricted net assets consisted of the following at June 30:

	2018	2017
Capital campaign building funds	$ 1,100,072	$ -
Equipment	-	7,501
Scholarships	10,500	27,500
Time restricted pledges	464,053	139,671
	$ 1,574,625	$ 174,672

Note 9—Permanently restricted net assets

During the year ended June 30, 2002, the Organization transferred $5,000 to the Community Foundation of Middle Tennessee ("Community Foundation") under an agency endowment fund. It is the hope of the Organization that other individuals will contribute to the fund. The Organization has granted variance power to the Community Foundation, and the Community Foundation has ultimate authority and control over the fund and the income derived therefrom; therefore, all gains and losses are reflected as permanently restricted net assets. The Organization retains a beneficial interest in the endowment fund held by the Community Foundation.

Upon request by the Organization, income from the fund representing an annual return may be distributed to the Organization or to another suggested beneficiary subject to the approval of the Community Foundation. The fund is charged a .4% administrative fee annually on the principal.

A schedule of the changes in the Organization's beneficial interest in this fund is as follows for the year ended June 30:

	2018	2017
Beneficial interest, beginning of year	$ 13,672	$ 12,746
Change in value of beneficial interest:		
Contributions	-	-
Realized gain	691	301
Unrealized gain	107	590
Interest and dividends	239	77
Investment fees	(36)	(16)
Administrative expense	(57)	(26)
	944	926
Beneficial interest, end of year	$ 14,616	$ 13,672

Note 9—Permanently restricted net assets (continued)

Permanently restricted net assets consisted of the following at June 30:

	2018	2017
Beneficial interest in agency endowment fund	$ 14,616	$ 13,672

See Note 4 for the fair value measurement of the Community Foundation.

Note 10—Net assets released from restrictions

Net assets are released from donor restrictions when time restrictions specified by the donors have been satisfied. Restricted contributions which have been released to operations as of June 30 are as follows:

	2018	2017
Payments received on pledges	$ 178,120	$ 436,062
Increase (decrease) in discount for time value of money	2,710	(19,930)
Decrease in pledge allowance	(26,038)	(3,000)
Released for satisfaction of donor restrictions	27,701	201,825
	$ 182,493	$ 614,957

Note 11—Contributed property, equipment, and services

Donated property, equipment, and services are used in the ongoing operations of the Organization. The value of donated property, equipment, and services included in the financial statements and the corresponding expenditure or asset capitalization is as follows for the year ended June 30:

	2018	2017
Revenues:		
Donated professional services	$ 699,148	$ 716,504
Donated supplies	91,182	119,126
Donated equipment	-	900
	$ 790,330	$ 836,530
Expenses:		
Donated professional services	$ 699,148	$ 740,408
Donated supplies	91,182	95,222
	$ 790,330	$ 835,630
Assets:		
Donated equipment, capitalized	$ -	$ 900

Note 12—Leases

The Organization leased two copiers under operating leases during the year ended June 30, 2018. One copier is for the Murfreesboro, Tennessee location and the minimum monthly rental amount is $200. Additional amounts due under the lease are based on the number of copies made during the billing period. The second copier is for the Nashville, Tennessee location and the minimum monthly rental amount is $334. Additional amounts under the lease are based on the number of copies made during the billing period. The rent expense paid on these two copiers was $6,412 and $8,730, respectively, for the years ended June 30, 2018 and 2017.

Additionally, in October 2017, the Organization entered into an operating lease for clinic and office space. Rent expense under this lease approximated $121,000 for the year ended June 30, 2018. The lease expires in October 2019.

As of June 30, 2018, future minimum lease payments required under all non-cancelable operating leases total approximately $47,000 for the year ending June 30, 2019.

Note 13—Concentrations of credit risk

At times, the Organization maintains cash and investments in amounts in excess of federally insured limits. Amounts in excess of federally insured limits at December 31, 2018, totaled $1,151,403. In management's opinion, risk relating to such deposits is minimal based on the credit rating of its depositories and based on the diversity of its investments.

As of June 30, 2018 and 2017, respectively, 64% and 11% of the Organization's total promises were due from one donor.

Note 14—Employee benefit plan

The Organization has a 401(k) retirement plan for all eligible employees. Employees age 21 or older become eligible to participate in the plan after one year of continuous service. The plan allows participants to contribute annually a portion of their earnings up to the maximum amount allowable under the Internal Revenue Code.

The Organization matches the first 3% of the participant's salary dollar for dollar and 50 cents on the dollar on the next 2% of the salary, totaling to a maximum of 4%. Participants must contribute 5% of their annual salary to get the full 4% match. Total matching contributions for the years ended June 30, 2018 and 2017, were $47,180 and $50,506, respectively.

The Organization may also make discretionary contributions to the retirement plan. For the years ended June 30, 2018 and 2017, no discretionary contributions were made.

Note 15—Related party

The Organization uses a property management association to manage the portion of the building that it owns at its Murfreesboro location. Two of the Organization's employees serve on the board of the management association as president and bookkeeper. Amounts paid to the management association by the Organization for the years ended June 30, 2018 and 2017, totaled $11,285 and $12,587, respectively.

Note 15—Related party (continued)

The Organization participates in a two member owner's association that maintains land and common elements adjacent to property it owns at 600 Hill Avenue. One of the Organization's employees serves on the board of the owner's association which was established in April 2018. Amounts paid to the owner's association by the Organization totaled $13,175 for the year ended June 30, 2018.

Note 16—Special events

During the year the Organization had fundraising events to help support operations. The following table below shows the amount raised less the cost of direct benefits to donors during the year ended June 30:

	2018	2017
Gross receipts from special events	$ 361,749	$ 268,362
Less cost of direct benefits to donors	(70,447)	(49,273)
	$ 291,302	$ 219,089

Note 17—New pronouncements

In May 2014, the FASB issued Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The Update provides guidance about recording contract revenue on an organization's combined statement of activities. The amendments in this Update are effective for annual periods beginning after December 15, 2018, and for annual periods and interim periods thereafter with early adoption permitted for annual periods beginning after December 15, 2016. The Organization is currently evaluating the impact of adopting this guidance on the financial statements.

In January 2016, the FASB amended the Financial Instruments topic of the ASC to address certain aspects of recognition, measurement, presentation, and disclosure of financial instruments. The amendments will be effective for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. The Organization will apply the guidance by means of a cumulative-effect adjustment to the statement of financial position as of the beginning of the fiscal year of adoption. The amendments related to equity securities without readily determinable fair values will be applied prospectively to equity investments that exist as of the date of adoption of the amendments.

In February 2016, the FASB amended the Leases topic of the ASC to require all leases with lease terms over 12 months to be capitalized as a right-of-use asset and lease liability on the combined statement of financial position at the date of lease commencement. Leases will be classified as either finance leases or operating leases. This distinction will be relevant for the matter of expense recognition in the combined statement of activities. The amendments will be effective for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020, with early adoption permitted. The Organization is currently evaluating the impact of adopting this guidance on the financial statements.

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The ASU provides guidance about the presentation of financial statements for non-profit organizations. The amendments in this ASU are effective for annual periods beginning after December 15, 2017, and for annual periods and interim periods thereafter with early adoption permitted. The Organization is currently evaluating the impact of adopting this guidance on the financial statements.

Note 17—New pronouncements (continued)

In November 2016, the FASB amended the Statement of Cash Flows topic of the ASC to clarify how restricted cash is presented and classified in the statement of cash flows. The amendments will be effective for the Organization for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019, with early adoption permitted. The Organization is evaluating the impact of adopting this guidance on the financial statements.

In March 2017, the FASB amended the requirements in the Compensation – Retirement Benefit Topic of the ASC related to the statement of activities presentation of the components of net periodic benefit costs for an entity's sponsored defined benefit pension and other postretirement plans. The amendments will be effective for the Organization for annual periods beginning after December 15, 2018, and interim periods within annual reporting periods beginning after December 15, 2019. The Organization is currently evaluating the impact of adopting this guidance on the financial statements.

Note 18—Subsequent events

The Organization began a capital campaign during the year ended June 30, 2018, to raise funds to remodel a building purchased during 2017 to serve as the new clinic in Nashville (see Note 5). The results of the campaign are follows as of the date of this report:

Campaign contribution collections during the year ended June 30, 2018	$ 681,251
Campaign contribution collections July 1, 2018 through the date of this report	1,988,606
	$ 2,669,857
Net pledges outstanding as of the date of this report	$ 275,206

As of the date of this report, the Organization is in the process of finalizing a new market tax credit agreement to assist in funding the purchase of the property at 600 Hill Avenue and the approximate $5,500,000 cost to remodel that property (see Note 5). The agreement is expected to provide funding of approximately $1,435,000.