

SILOAM FAMILY HEALTH CENTER

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**

JUNE 30, 2013

SILOAM FAMILY HEALTH CENTER

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BELLENFANT + MILES, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Siloam Family Health Center
Nashville, Tennessee

We have audited the accompanying financial statements of Siloam Family Health Center (a nonprofit organization), which comprise the statement of financial position as of June 30, 2013, 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.

Auditors' 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 of 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 assessments 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. 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 Siloam Family Health Center as of June 30, 2013, 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.

Bellenfant & Miles, PLLC

September 27, 2013

SILOAM FAMILY HEALTH CENTER
STATEMENT OF FINANCIAL POSITION

JUNE 30, 2013

	<u>ASSETS</u>		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Current Assets:			
Cash	\$ 852,374	297,228	\$ 1,149,602
Investments	-	1,699,259	1,699,259
Prepaid expenses	24,255	-	24,255
Accounts receivable	431,387	-	431,387
Total Current Assets	1,308,016	1,996,487	3,304,503
Property and Equipment:			
Land	291,560	-	291,560
Building	2,134,341	-	2,134,341
Furniture and equipment	862,301	-	862,301
	3,288,202	-	3,288,202
Less: Accumulated depreciation	1,136,414	-	1,136,414
Net Property and Equipment	2,151,788	-	2,151,788
TOTAL ASSETS	<u>\$ 3,459,804</u>	<u>\$ 1,996,487</u>	<u>\$ 5,456,291</u>

LIABILITIES AND NET ASSETS

Current Liabilities:			
Accounts payable	\$ 232,888	\$ -	\$ 232,888
Accrued compensated absences	95,094	-	95,094
Total Current Liabilities	327,982	-	327,982
Total Liabilities	327,982	-	327,982
Net Assets	3,131,822	1,996,487	5,128,309
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,459,804</u>	<u>\$ 1,996,487</u>	<u>\$ 5,456,291</u>

The accompanying notes are an integral part of this financial statement.

SILOAM FAMILY HEALTH CENTER

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE:			
Contributions	\$ 1,353,566	\$ 58,263	\$ 1,411,829
Service Contracts	1,158,902	-	1,158,902
Donated Services	378,541	-	378,541
Patient Fees	190,614	-	190,614
Interest	6,943	398	7,341
Net Endowment Income	47,253	-	47,253
Unrealized Net Investment Gain	-	139,166	139,166
	<u>3,135,819</u>	<u>197,827</u>	<u>3,333,646</u>
Total Support and Revenue			
EXPENSES:			
Program Services	2,968,040	-	2,968,040
General and Administrative	235,427	-	235,427
Fundraising	257,135	-	257,135
	<u>3,460,602</u>	<u>-</u>	<u>3,460,602</u>
Total Expenses			
CHANGE IN NET ASSETS	(324,783)	197,827	(126,956)
Net Assets, July 1, 2012	<u>3,456,605</u>	<u>1,798,660</u>	<u>5,255,265</u>
Net Assets, June 30, 2013	<u>\$ 3,131,822</u>	<u>\$ 1,996,487</u>	<u>\$ 5,128,309</u>

The accompanying notes are an integral part of this financial statement.

SILOAM FAMILY HEALTH CENTER

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2013

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 1,476,163	\$ 154,175	125,614	\$ 1,755,952
Contract labor	20,358	-	-	20,358
Employee benefits	172,375	12,764	16,397	201,536
Payroll taxes	106,443	11,875	9,609	127,927
Donated patient care	378,541	-	-	378,541
Medical and lab supplies	281,866	-	-	281,866
Lab fees	102,946	-	-	102,946
Clinic supplies	54,819	8,478	2,395	65,692
Interpreter services	88,504	-	-	88,504
Medical waste disposal	3,137	-	-	3,137
Facilities	39,850	926	567	41,343
Institute	13,697	-	-	13,697
Accounting	650	6,365	-	7,015
Continuing education	1,461	-	-	1,461
Dues and licenses	395	3,199	660	4,254
Development and fundraising	-	-	84,650	84,650
Insurance – general and liability	28,920	5,919	1,336	36,175
Postage and shipping	2,855	228	179	3,262
Utilities	22,332	519	317	23,168
Telephone	13,401	1,282	640	15,323
Meetings, workshops, and travel	9,722	4,038	1,373	15,133
Volunteer development	17,203	-	-	17,203
Contingencies and miscellaneous	5,456	4,664	2,295	12,415
Depreciation	126,946	20,995	11,103	159,044
Total Expenses	<u>\$ 2,968,040</u>	<u>\$ 235,427</u>	<u>\$ 257,135</u>	<u>\$ 3,460,602</u>

The accompanying notes are an integral part of this financial statement.

SILOAM FAMILY HEALTH CENTER

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2013

CASH FLOWS FROM OPERATING ACTIVITIES

Change in Net Assets	\$ (126,956)
Adjustments to reconcile change in net assets to net cash used by operating activities:	
Depreciation	159,044
Unrealized Investment Gain	(139,166)
(Increase) decrease in:	
Prepaid expenses	3,438
Accounts receivable	(221,919)
Increase (decrease) in:	
Accounts payable	148,551
Accrued compensated absences	<u>(6,870)</u>
Net Cash Used by Operating Activities	<u>(183,878)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Dividends reinvested	(59,260)
Fees on investments	12,003
Furniture and equipment acquired	<u>(129,392)</u>
Net Cash Used by Investing Activities	<u>(176,649)</u>
NET DECREASE IN CASH	(360,527)
Cash - July 1, 2012	<u>1,510,129</u>
Cash - June 30, 2013	<u><u>\$ 1,149,602</u></u>

The accompanying notes are an integral part of this financial statement.

SILOAM FAMILY HEALTH CENTER

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

Organization and Purpose:

Siloam Family Health Center ("the Health Center") provides medical services on an outpatient basis to underprivileged persons who cannot access medical care because of financial or language barriers. Its mission statement is to share the love of Christ by serving those in need through healthcare.

Basis of Accounting:

A significant part of the Health Center's support is derived from government service contracts. Service contract fees for specific purposes are reported as support in the period a liability is incurred for expenditures in compliance with specific contract requirements. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other 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 statement of activities as net assets released from restrictions.

Basis of Presentation:

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. Revenues are recognized when earned and expenses are generally recognized when incurred. Financial statement presentation follows the requirements of the Financial Accounting Standards Board (FASB) Accounting Standards Codification Topic related to Presentation of Financial Statements of Not-for-Profit Organizations. Under the FASB Accounting Standards Codification, the Health Center is required to report information regarding its financial position and activities according to three classes of net assets; unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

SILOAM FAMILY HEALTH CENTER

NOTES TO FINANCIAL STATEMENTS - (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES - (CONTINUED)

Basis of Presentation:

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, either by actions of the Health Center and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. The Health Center had temporarily restricted net assets of \$1,996,487 as of June 30, 2013.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that may be maintained permanently by the Health Center. Generally donors of these assets permit the Health Center to use all or part of the income earned for general or specific purposes. The Health Center had no permanently restricted net assets as of June 30, 2013.

Revenue Recognition:

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Functional Allocation of Expenses:

Expenses are charged directly to program, general and administrative, or fundraising categories based on specific identification. Indirect expenses have been allocated based on estimates made by the Health Center's management.

Cash:

For purposes of the statement of cash flows, the Health Center considers all investment instruments purchased with maturity of three months or less to be cash equivalents.

Estimates:

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

SILLOAM FAMILY HEALTH CENTER

NOTES TO FINANCIAL STATEMENTS - (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES - (CONTINUED)

Property and Equipment:

Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Health Center reports expirations of donor restrictions when the donated or acquired assets are placed in services as instructed by the donor. The Health Center reclassifies temporarily restricted net assets to unrestricted net assets at that time. Purchased assets are reported at cost. Property and equipment are depreciated using the straight-line method over their useful lives of 35 years for the building, 15 years for improvements, and three to seven years for furniture and equipment.

2. FEDERAL INCOME TAX STATUS

The Health Center has been determined by the Internal Revenue Service to be exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code.

The Health Center files a U.S. Federal Form 990-*Return of Organization Exempt from Income Tax*. The Health Center's returns for the years prior to fiscal year ended June 30, 2010 are no longer open for examination.

The Health Center has evaluated its tax positions in accordance with the Codification Standard relating to Accounting for Uncertainty in Income Taxes. The Health Center believes that it has taken no uncertain tax positions.

3. FUNDING AND CONCENTRATION

The Health Center receives a major portion of the funds that it uses to conduct its programs from contracts with the State of Tennessee and Catholic Charities of Tennessee, Inc. A major reduction of funds from one of the grants or contracts, should this occur, would have a material effect on the programs and the financial position of the Health Center.

SILOAM FAMILY HEALTH CENTER

NOTES TO FINANCIAL STATEMENTS - (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2013

4. FAIR VALUES OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used by the Health Center in estimating its fair value disclosures for financial instruments:

Cash, cash equivalents, investments, receivables, prepaids, payables, and accrued expenses: The carrying amounts reported in the statement of financial position approximate fair values because of the short maturities of those instruments.

5. CASH

The following accounts comprise cash as of June 30, 2013:

<u>Type of Account</u>	<u>Amount</u>
Checking	\$ 84,253
Money Market	1,065,103
Petty Cash	<u>246</u>
	<u>\$ 1,149,602</u>

6. IN-KIND SUPPORT AND DONATIONS

The Health Center receives donated services from a variety of unpaid volunteer professionals assisting the Health Center in the counseling and medical programs. In accordance with FASB Accounting Standards Codification, these services are accounted for at fair market value and totaled \$378,541 for the year ended June 30, 2013.

Significant medical services including, but not limited to, hospital and laboratory testing services and pharmaceutical supplies are donated to patients of the Health Center by other providers at little or no cost to the patient. These services and products are oftentimes given at the urging of the Health Center. Since the Health Center does not directly make the contributions, the value of such services and products are not reflected in the accompanying financial statements.

SILOAM FAMILY HEALTH CENTER

NOTES TO FINANCIAL STATEMENTS - (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2013

7. PENSION PLAN

The Health Center has a Savings Incentive Match Plan for Employees (SIMPLE). The Health Center makes matching contributions to the Plan up to 3% of gross salaries of qualified employees to the Plan. Employees may make additional contributions to the Plan up to the maximum amount allowed by the Internal Revenue Code. During the year ended June 30, 2013 the Health Center contributed \$35,352 to the Plan.

8. CONCENTRATIONS OF RISK

The financial condition of all depository banks, including those with balances less than the Federal Deposit Insurance Corporation \$250,000 insured limit, is continually reviewed by the board. As of June 30, 2013 there were no deposits in excess of the amount insured by the Federal Deposit Insurance Corporation (FDIC).

9. TEMPORARILY RESTRICTED INVESTMENTS

Temporarily restricted investments of the Endowment Fund are held at Charles Schwab. The account is managed by Lee, Danner & Bass, Inc. All temporarily restricted investments are reported at fair market value. Temporarily restricted investments consist of the following:

Charles Schwab-	
Equities	1,096,645
Corporate Bonds	480,651
	<hr/>
	1,577,296
Cash	121,963
	<hr/>
Total Restricted Investments	<u>1,699,259</u>

SILOAM FAMILY HEALTH CENTER

NOTES TO FINANCIAL STATEMENTS - (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2013

10. FAIR VALUE MEASUREMENTS

The Health Center's investments are reported at fair value in the accompanying statement of financial position.

Fair Value Measurements at June 30, 2013 Using:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equities	1,096,645	1,096,645	-	-
Corporate Bonds	480,651	-	480,651	-
	<u>\$ 1,577,296</u>	<u>\$ 1,096,645</u>	<u>\$ 480,651</u>	<u>\$ -</u>

The Financial Accounting Standards Board (FASB) Accounting Standards Codification Topic related to Fair Value Measurements, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted process for identical assets, and Level 3 inputs have the lowest priority. The Health Center uses the appropriate valuation techniques based on the available inputs to measure the fair value of its investments. Level 3 inputs were only used when Level 1 or Level 2 inputs were not available.

Level 2 Fair Value Measurements - The fair value of the investments are based on inputs other than quoted prices within Level 1 that are observable for the asset, either directly, or indirectly.

Level 3 Fair Value Measurements - The fair value of the investments are based on at least one significant unobservable input.

SILOAM FAMILY HEALTH CENTER

NOTES TO FINANCIAL STATEMENTS - (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2013

11. TEMPORARILY RESTRICTED FUNDING

Certain contributions are received with restrictions as to their purpose. The following is a summary of temporarily restricted activities during the year ended June 30, 2013.

Contributor	Balance July 1, 2012	Revenues	Expenses	Balance June 30, 2013
Building Maintenance Fund	\$ 281,618	\$ 12,483	\$ -	\$ 294,101
Endowment Fund	1,512,837	198,425 *	12,003	1,699,259
The Institute	(17,162)	159,442	142,280	-
Nashville Predators Foundation	3,000	-	3,000	-
S Komen Foundation	16,553	35,670	51,711	512
Pharmacy Gift Cards	1,695	2,000	1,997	1,698
Miscellaneous Restricted	119	2,066	1,268	917
Totals	<u>\$1,798,660</u>	<u>\$ 410,086</u>	<u>\$ 212,259</u>	<u>\$ 1,996,487</u>

* Endowment fund revenue includes unrealized gains on investments of \$139,166.

12. SUBSEQUENT EVENTS

Subsequent events have been evaluated through September 27, 2013 which is the date the financial statements were available to be issued.