

INTERFAITH DENTAL CLINIC OF NASHVILLE
Financial Statements
June 30, 2010

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Independent Auditors' Report

To the Board of Directors of
Interfaith Dental Clinic of Nashville

We have audited the accompanying statement of financial position of Interfaith Dental Clinic of Nashville (a nonprofit organization) as of June 30, 2010, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Interfaith Dental Clinic as of June 30, 2010, 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.

Parker, Parker & Associates

October 11, 2010

INTERFAITH DENTAL CLINIC OF NASHVILLE
Statement of Financial Position
June 30, 2010

Assets

Current Assets

Cash	\$ 150,191
Patient Accounts Receivable, Net of Allowance of \$35,176	75,365
Government Grant Receivable	11,010
Other Contributions Receivable, Net of Allowance and Discount of \$33,326	132,378
Prepaid Expenses	6,330
Total Current Assets	<u>375,274</u>

Property & Equipment

Building	1,187,538
Dental Equipment	400,788
Office Equipment	53,906
Land	143,453
	<u>1,785,685</u>
Less: Accumulated Depreciation	<u>(641,745)</u>
Total Property & Equipment	<u>1,143,940</u>

Other Assets

Restricted Cash and Investments	268,990
Beneficial Interest in Agency Endowment Fund Held by the Community Foundation of Middle Tennessee	7,443
Other Contributions Receivable, Net of Allowance and Discount of \$60,948	255,449
Total Other Assets	<u>531,882</u>
Total Assets	<u><u>\$ 2,051,096</u></u>

Liabilities and Net Assets

Current Liabilities

Accounts Payable	\$ 31,617
Accrued Salaries, Wages, Payroll Deductions Withheld & Taxes	56,699
Accrued Retirement Contributions	1,227
Accrued Compensated Absences	8,653
Patient Credits	9,587
Total Current Liabilities	<u>107,783</u>

Net Assets

Unrestricted Net Assets

Unrestricted	1,666,880
Board Designated for Clinic Emergency and Building Maintenance	164,598
Board Designated for Beneficial Interest	7,443
Board Designated for Graham Memorial Fund	104,392
Total Unrestricted Net Assets	<u>1,943,313</u>
Total Liabilities and Net Assets	<u><u>\$ 2,051,096</u></u>

See notes to financial statements.

INTERFAITH DENTAL CLINIC OF NASHVILLE
Statement of Activities
For the Year Ended June 30, 2010

Unrestricted Net Assets

Revenue

Patient Fees	\$ 455,264
Investment Income	21,162
Interest and Dividend Income	4,861

Support

United Way	131,628
Government Grants	43,496
Individual and Foundation Contributions	497,166
Corporate Contributions	60,031
Church Contributions	14,670
Special Event Revenue	\$ 290,394
Less: Costs of Direct Benefits to Donors	<u>(43,967)</u>
Donated Professional Services	246,427
Donated Supplies and Equipment	442,941
	<u>32,419</u>

Total Unrestricted Revenue and Support	<u>1,950,065</u>
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Expenses

Dental Services	1,702,361
Management and General	31,498
Operational Fundraising	<u>198,606</u>
Total Expenses	<u>1,932,465</u>

Increase in Unrestricted Net Assets	17,600
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Net Assets - Beginning of Year	<u>1,925,713</u>
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Net Assets - End of Year	<u><u>\$ 1,943,313</u></u>
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See notes to financial statements.

INTERFAITH DENTAL CLINIC OF NASHVILLE
Statement of Functional Expenses
For the Year Ended June 30, 2010

	<u>Supporting Services</u>			
	<u>Dental Services</u>	<u>Management and General</u>	<u>Operational Fundraising</u>	<u>Total</u>
Bad Debt	\$ 10,323	\$ -	\$ 19,172	\$ 29,495
Communication Expenses	5,332	118	474	5,924
Continuing Education, Memberships and Volunteer and Employee Recognition	11,174	1,525	1,166	13,865
Contract Labor	2,730	-	812	3,542
Computer Support, Upgrades and Repairs	13,176	293	1,171	14,640
Dental Lab	79,344	-	-	79,344
Dental Supplies	83,666	-	-	83,666
Depreciation	80,712	1,664	832	83,208
Donated Dental Supplies	18,605	-	-	18,605
Donated Professional Services	440,812	2,129	-	442,941
General Supplies	1,582	35	141	1,758
Insurance	13,614	740	444	14,798
Interior/Exterior Building Expenses	11,693	565	1,345	13,603
Loss on Disposal of Assets	133	-	-	133
Merchant, Bank and Investment Fees	6,484	259	1,902	8,645
Office Supplies	4,040	575	1,155	5,770
Printing and Postage	10,361	691	2,763	13,815
Professional Services	6,879	1,961	1,961	10,801
Payroll Processing Fees	2,201	73	171	2,445
Payroll Taxes & Benefits	135,641	3,192	20,745	159,578
Repairs & Maintenance, Dental Equipment	11,740	-	-	11,740
Special Events	-	-	17,948	17,948
Story Fundraising Expenses	-	-	12,277	12,277
Salaries and Wages	738,024	17,365	112,874	868,263
Utilities	14,095	313	1,253	15,661
Total Expenses	<u><u>\$ 1,702,361</u></u>	<u><u>\$ 31,498</u></u>	<u><u>\$ 198,606</u></u>	<u><u>\$1,932,465</u></u>

See notes to financial statements.

INTERFAITH DENTAL CLINIC OF NASHVILLE
Statement of Cash Flows
For the Year Ended June 30, 2010

Cash Flows from Operating Activities

Increase in Net Assets	\$ 17,600
Adjustments to Reconcile Increase in Net Assets to Cash Provided by Operating Activities:	
Depreciation	83,208
Loss on Disposal of Assets	133
Donated Property and Equipment	(9,273)
Donated Marketable Securities	(4,007)
Realized and Unrealized Gains on Marketable Securities	(20,272)
Dividend Income on Restricted Cash and Investments	(4,760)
Fees on Restricted Cash and Investments	1,656
Decrease in Patient Accounts Receivable	2,379
Increase in Other Contributions Receivable	(43,171)
Decrease in Government Grant Receivable	17,626
Decrease in Employee Receivable	399
Increase in Prepaid Expenses	(624)
Increase in Beneficial Interest in Agency Endowment Fund	(969)
Increase in Accounts Payable	12,203
Increase in Accrued Liabilities	26,766
Decrease in Patient Credits	(2,558)
Total Adjustments	<u>58,736</u>
Net Cash Provided by Operating Activities	<u>76,336</u>

Cash Flows from Investing Activities

Proceeds from Sale of Marketable Securities	4,009
Transfer from Restricted Cash and Investments	19,125
Payments for the Purchase of Property and Equipment	<u>(13,608)</u>
Net Cash Provided by Investing Activities	<u>9,526</u>

Net Increase in Cash	85,862
Cash - Beginning of Year	<u>64,329</u>
Cash - End of Year	<u><u>\$ 150,191</u></u>

Supplemental Cash Flow Disclosures:

Noncash Investing Transactions:	
Donated Property and Equipment	\$ 9,273
Donated Marketable Securities	\$ 4,007
Reinvested Dividends on Restricted Cash and Investments	\$ 4,760

See notes to financial statements.

INTERFAITH DENTAL CLINIC OF NASHVILLE

Notes to Financial Statements

June 30, 2010

Note 1. Summary of Significant Accounting Policies

A. Organization and Nature of Activities

Interfaith Dental Clinic of Nashville (the "Clinic") is a nonprofit organization dedicated to providing affordable dental care to uninsured working poor families and those over age 65 in the greater Nashville area through access to affordable quality dental care, oral disease prevention services, and oral health education.

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.

C. Financial Statement Presentation

The net assets of the Clinic and changes therein are classified and reported as follows:

Unrestricted Net Assets - Net assets that are not subject to donor-imposed restrictions.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed restrictions that may or will be met, either by actions of the Organization and/or the passage of time.

D. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America 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 statement of cash flows, cash includes cash on hand, demand deposits and investments with initial maturities of three months or less. The Clinic considers all cash and cash equivalents held with the investment advisor to be investments. As of June 30, 2010 there are no cash equivalents.

F. Contributions Receivable

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at present value of their estimated future cash flows unless the value not discounted is immaterial to the financial statements as a whole. Conditional promises to give are not included as support until the conditions are substantially met.

G. 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 statement of financial position. The fair values for these investments are based on quoted market prices. Donated securities are recognized at the fair value on date of the contribution. All interest, dividends and unrealized gains and losses are reported in the statement 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.

H. Property, Plant and Equipment

Property, plant and equipment with estimated useful lives greater than one year and cost of more than \$500 are carried at cost if purchased or fair market value if donated. Depreciation is calculated on the straight-line method over the estimated useful lives of the assets, which range from 3 to 40 years.

I. Contributed Property and Equipment

Contributed property and equipment is recorded at fair 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.

INTERFAITH DENTAL CLINIC OF NASHVILLE
Notes to Financial Statements - Continued
June 30, 2010

Note 1. Summary of Significant Accounting Policies – Continued

J. 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. The total accrued vacation payable at June 30, 2010 is \$8,653.

K. Income Taxes

The Organization is a nonprofit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

L. Functional Expenses

Expenses are charged directly to program, management and general, or fundraising based on a combination of specific identification and allocation by management.

M. 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. If a restriction is fulfilled in the same time period in which the contribution is received, the organization reports the support as unrestricted. Otherwise, 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.

N. Contributed Services

Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received. The Clinic receives many contributed services from various dental professionals. These services meet the requirements for recognition in the financial statements and have been recorded or reflected in the accompanying financial statements.

O. 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, 2010 was \$2,015,303. The discount between market value and patient fees recognized fluctuates with patient mix. The majority of patients are charged 20% of market value.

P. Agency Endowment Fund

The Clinic'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 statement of activities. Distributions received from the fund are recorded as decreases in the beneficial interest. The beneficial interest has been classified as an unrestricted net asset on the statement of financial position.

Q. Fair Value Measurements

Assets and liabilities measured at fair value are recorded in accordance with FASB ASC 820-10, which clarifies that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, FASB ASC 820-10 establishes a three-tier value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

INTERFAITH DENTAL CLINIC OF NASHVILLE
Notes to Financial Statements - Continued
June 30, 2010

Note 1. Summary of Significant Accounting Policies – Continued

Q. Fair Value Measurements - Continued

Level 1 Inputs – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets and liabilities.

Level 2 Inputs – Inputs other than quoted prices in active markets that are observable either directly or indirectly.

Level 3 Inputs – Unobservable inputs in which there is little or no market data, which requires management to develop their assumptions.

Note 2. Investments

The Clinic holds investments contributed to the Graham Memorial Fund and the 1998 Building Fund in various equity securities and cash. These investments are carried at the fair market value determined on June 30, 2010 using quoted market prices. The investments are as follows:

	<u>Fair Value</u>	<u>Cost</u>
Money Market	\$ 64,553	\$ 64,553
Certificates of Deposit	20,448	20,000
Mutual Funds	183,989	178,376
	<u>\$ 268,990</u>	<u>\$ 262,929</u>

Note 3. Contributions Receivable

Unconditional promises to give at June 30, 2010 are recorded as follows:

Receivable in One Year or Less	\$ 165,704
Receivable in One to Five Years	<u>316,397</u>
Total Contributions Receivable-Unrestricted	482,101
Less:	
Discounts for the Time Value of Money	(46,064)
Allowance for Uncollectible Receivables	<u>(48,210)</u>
Contributions Receivable, Net	<u>\$ 387,827</u>

Gross contributions have been discounted to account for the time value of money using discount rates ranging from 2.61% to 4.50%. The rates were determined using a risk adjusted discount rate technique after an allowance had been established.

Note 4. Beneficial Interest in Agency Fund Endowment

During the year ended June 30, 2002, the Clinic transferred \$5,000 to the Community Foundation of Middle Tennessee ("Community Foundation") under an agency endowment fund. It is the hope of the Clinic that other individuals will contribute to the fund. The Clinic has granted variance power to the Community Foundation, and the Community Foundation has ultimate authority and control over the Fund and the income derived there from. The clinic retains a beneficial interest in the endowment fund held by the Community Foundation. Upon request by the Clinic, income from the fund representing an annual return may be distributed to the Clinic 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.

INTERFAITH DENTAL CLINIC OF NASHVILLE
Notes to Financial Statements - Continued
June 30, 2010

Note 4. Beneficial Interest in Agency Fund Endowment - Continued

A schedule of the changes in the Clinic's beneficial interest in this fund for the year ended June 30, 2010 is as follows:

Beneficial Interest - Beginning of Year	\$ 6,474
Change in Value of Beneficial Interest:	
Contributions to the Fund	-
Realized Gain	7
Unrealized Gain	884
Interest and Dividends	101
Investment Fees	(9)
Administrative Expenses	(14)
	<u>969</u>
Distributions to the Clinic	<u>-</u>
Beneficial Interest - End of Year	<u>\$ 7,443</u>

Note 5. Fair Value Measurements

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

Asset	Fair Value June 30, 2010	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Unobservable Inputs (Level 3)
Contributions Receivable, Net	\$ 387,827	\$ -	\$ 387,827
Restricted Investments	\$ 183,989	\$ 183,989	\$ -
Beneficial Interest in Agency Endowment Fund Held by the Community Foundation of Middle Tennessee	\$ 7,443	\$ 7,443	\$ -

The fair value of contributions receivable is estimated as the present value of expected future cash flows. A reconciliation of the beginning to ending balance of contribution receivable is as follows:

Contributions Receivable, Net - July 1, 2009	\$ 344,656
Increases:	
New Pledges	195,850
Decreases:	
Payments on Pledges	(112,173)
Write-Offs	(14,500)
Change in Allowance for Uncollectible Receivables	(6,918)
Change in Discount for the Time Value of Money	<u>(19,088)</u>
Contributions Receivable, Net - June 30, 2010	<u>\$ 387,827</u>

INTERFAITH DENTAL CLINIC OF NASHVILLE
Notes to Financial Statements - Continued
June 30, 2010

Note 6. Contributed Property, Equipment and Services

Donated property, equipment and services are used in the ongoing operations of the Clinic. The value of donated property, equipment and services included in the financial statements and the corresponding expenditure or asset capitalization for the year ended June 30, 2010 is as follows:

Revenues	
Donated Professional Services	\$ 442,941
Donated Supplies & Equipment	32,419
Special Event Revenue	11,189
	<u>\$ 486,549</u>
Expenses	
Donated Professional Services	\$ 442,941
Dental Supplies	18,605
Repairs and Maintenance	4,541
Dental Equipment	9,273
Special Events	11,189
	<u>\$ 486,549</u>

Note 7. Net Assets

Board designated net assets are available for the following purposes:

Beneficial Interest – See Note 5.

Clinic Emergency and Building Maintenance – This account is intended to provide funds necessary for emergencies of the building and building maintenance beyond what is budgeted in the Clinic's 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.

Note 8. Retirement Plan

The Clinic 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 a portion of their earnings up to the maximum amount allowable under the Internal Revenue Code each year. The Clinic matches up to 3% of a participant's salary dollar for dollar and 50 cents on the dollar after that for a maximum of 4%. Participants must contribute 5% of their annual salary to get the full 4% match. Clinic contributions of \$29,400 were made during the year ended June 30, 2010. The Clinic may also make discretionary contributions to the retirement plan. For the year ended June 30, 2010, there were no discretionary contributions made by the Clinic.

Note 9. Concentrations

For the year ended June 30, 2010, the Clinic received 25% of its total revenue and support from the individual and foundation contributions and 23% from patient fees.

The Clinic has unsecured promises to give from donors located primarily in the Middle Tennessee region. The gross amount due on unconditional promises to give at June 30, 2010 is \$482,101.

INTERFAITH DENTAL CLINIC OF NASHVILLE
Notes to Financial Statements - Continued
June 30, 2010

Note 10. Operating Lease

The Clinic leased a copier beginning in February 2009. The minimum monthly rental amount is \$236 for 60 months with the lease expiring in February 2014. Additional amounts due under the lease are based on the number of copies made by the Clinic. The rent paid on this copier was \$3,495 for the year ended June 30, 2010.

Future minimum lease payments are as follows:

<u>Years Ended June 30,</u>	<u>Annual Lease Payments</u>
2011	\$ 2,832
2012	2,832
2013	2,832
2014	472
Total	<u>\$ 8,968</u>

Note 11. Subsequent Events

The Clinic has evaluated events and transactions for subsequent events that would impact the financial statements for the year ended June 30, 2010 through October 11, 2010, the date the financial statements were available to be issued. There were no subsequent events that require recognition or disclosure in the financial statements.