

Faith Family Medical Center, Inc. and Subsidiary

Consolidated Financial Statements
For the Years Ended December 31, 2022 and 2021

Faith Family Medical Center, Inc. and Subsidiary
Consolidated Financial Statements
For the Years Ended December 31, 2022 and 2021

Contents

Independent Auditor's Report	1
Financial Statements	
Consolidated Statements of Financial Position	3
Consolidated Statements of Activities	4
Consolidated Statements of Functional Expenses	6
Consolidated Statements of Cash Flows	8
Notes to Consolidated Financial Statements	9
Supplementary Information	
Consolidating Schedule of Financial Position	20
Consolidating Schedule of Activities	22



Independent Auditor's Report

Board of Directors
Faith Family Medical Center, Inc. and Subsidiary

Opinion

We have audited the consolidated financial statements of Faith Family Medical Center, Inc. and Subsidiary (the Organization), which comprise the consolidated statements of financial position as of December 31, 2022 and 2021, the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of December 31, 2022 and 2021, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

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

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the 2022 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Blankenship CPA Group, PLLC

Blankenship CPA Group, PLLC
Goodlettsville, Tennessee
April 18, 2023

Faith Family Medical Center, Inc. and Subsidiary
Consolidated Statements of Financial Position
December 31, 2022 and 2021

	2022	2021
Assets		
Current assets		
Cash	\$ 3,084,499	\$ 2,834,855
Investments	2,036,506	2,386,002
Contributions and grants receivable	458,187	708,939
Accounts receivable	21,760	330,303
Prepaid expenses	40,170	32,413
Total current assets	5,641,122	6,292,512
Property and equipment		
Land	2,233,775	2,233,775
Building and improvements	5,583,217	5,528,772
Computer equipment	76,021	52,343
Medical equipment	89,511	89,511
Office equipment	209,914	204,921
Less: accumulated depreciation	(683,844)	(384,792)
Property and equipment, net	7,508,594	7,724,530
Other assets		
Cash restricted by donors for capital campaign	-	1,761
Cash restricted by NMTC	417,963	411,642
Contributions and grants receivable, net	-	26,660
Note receivable, NMTC	6,046,050	6,046,050
Deposits	4,747	300
Total other assets	6,468,760	6,486,413
Total assets	\$ 19,618,476	\$ 20,503,455
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 98,894	\$ 70,494
Tenant deposits payable	10,899	10,899
Earned time off	142,171	117,498
Accrued payroll and taxes	80,275	34,491
Deferred revenue	9,527	-
Total current liabilities	341,766	233,382
Notes payable, net	8,079,613	8,205,425
Total liabilities	8,421,379	8,438,807
Net assets		
Without donor restrictions	10,875,865	12,014,648
With donor restrictions	321,232	50,000
Total net assets	11,197,097	12,064,648
Total liabilities and net assets	\$ 19,618,476	\$ 20,503,455

Faith Family Medical Center, Inc. and SubsidiaryConsolidated Statement of Activities
For the Year Ended December 31, 2022

	Without donor restrictions	With donor restrictions	Total
Support and Revenues			
Medical services, net	\$ 292,498	\$ -	\$ 292,498
Contributions of cash and other financial assets	1,889,303	409,000	2,298,303
Contributions of nonfinancial assets	2,612,621	-	2,612,621
Investment income (loss), net	(354,481)	-	(354,481)
Interest and other income	191,248	-	191,248
Other income, Employee Retention Credit	-	-	-
Net assets released from restrictions	<u>137,768</u>	<u>(137,768)</u>	<u>-</u>
Total support and revenues	4,768,957	271,232	5,040,189
Expenses			
Program services	5,034,705	-	5,034,705
Supporting services			
Management and general	504,986	-	504,986
Fundraising	<u>368,049</u>	<u>-</u>	<u>368,049</u>
Total expenses	5,907,740	-	5,907,740
Change in net assets	(1,138,783)	271,232	(867,551)
Net assets, beginning of year	<u>12,014,648</u>	<u>50,000</u>	<u>12,064,648</u>
Net assets, end of year	\$ 10,875,865	\$ 321,232	\$ 11,197,097

Faith Family Medical Center, Inc. and SubsidiaryConsolidated Statement of Activities
For the Year Ended December 31, 2021

	Without donor restrictions	With donor restrictions	Total
Support and Revenues			
Medical services, net	\$ 235,430	\$ -	\$ 235,430
Contributions of cash and other financial assets	3,307,978	61,520	3,369,498
Contributions of nonfinancial assets	560,731	-	560,731
Investment income (loss), net	200,695	-	200,695
Interest and other income	148,260	-	148,260
Other income, Employee Retention Credit	309,948	-	309,948
Net assets released from restrictions	66,520	(66,520)	-
Total support and revenues	4,829,562	(5,000)	4,824,562
Expenses			
Program services	2,831,435	-	2,831,435
Supporting services			
Management and general	182,075	-	182,075
Fundraising	303,867	-	303,867
Total expenses	3,317,377	-	3,317,377
Change in net assets	1,512,185	(5,000)	1,507,185
Net assets, beginning of year	10,502,463	55,000	10,557,463
Net assets, end of year	\$ 12,014,648	\$ 50,000	\$ 12,064,648

Faith Family Medical Center, Inc. and Subsidiary

Consolidated Statement of Functional Expenses

For the Year Ended December 31, 2022

	Program services	Management and general	Fundraising	Total
Salaries and benefits	\$ 1,645,490	\$ 419,192	\$ 172,655	\$ 2,237,337
Advertising and marketing	3,128	-	52,593	55,721
Donated medical services	86,124	-	-	86,124
Dues, fees and bank charges	40,705	4,095	7,683	52,483
Insurance	31,489	9,437	-	40,926
Interest	120,009	-	-	120,009
Meals	8,876	4,577	16,344	29,797
Occupancy	149,012	13,766	13,618	176,396
Pharmacy and lab supplies	2,565,183	-	-	2,565,183
Printing and postage	3,500	-	23,422	26,922
Professional fees	34,790	36,693	33,531	105,014
Program events and support	3,432	-	26,425	29,857
Rent	29,900	494	395	30,789
Supplies, office	28,068	1,015	8,013	37,096
Travel	4,653	764	1,408	6,825
Miscellaneous	8,209	-	-	8,209
Total before depreciation	4,762,568	490,033	356,087	5,608,688
Depreciation	272,137	14,953	11,962	299,052
Total expenses	\$ 5,034,705	\$ 504,986	\$ 368,049	\$ 5,907,740

Faith Family Medical Center, Inc. and Subsidiary

Consolidated Statement of Functional Expenses

For the Year Ended December 31, 2021

	Program services	Management and general	Fundraising	Total
Salaries and benefits	\$ 1,548,240	\$ 113,819	\$ 190,074	\$ 1,852,133
Advertising and marketing	156	-	3,034	3,190
Donated medical services	37,992	-	-	37,992
Dues, fees and bank charges	36,418	2,191	11,436	50,045
Insurance	31,541	8,354	925	40,820
Interest	126,235	-	-	126,235
Meals	6,993	125	1,331	8,449
Occupancy	109,045	5,807	10,949	125,801
Pharmacy and lab supplies	581,394	-	-	581,394
Printing and postage	2,398	6	25,816	28,220
Professional fees	31,796	36,002	25,951	93,749
Program events and support	4,445	-	8,555	13,000
Rent	32,607	1,003	1,254	34,864
Supplies, office	31,166	202	1,779	33,147
Travel	500	155	1,294	1,949
Miscellaneous	16,433	6	3,463	19,902
Total before depreciation	2,597,359	167,670	285,861	3,050,890
Depreciation	234,076	14,405	18,006	266,487
Total expenses	\$ 2,831,435	\$ 182,075	\$ 303,867	\$ 3,317,377

Faith Family Medical Center, Inc. and Subsidiary
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2022 and 2021

	2022	2021
Cash, beginning of year	\$ 3,248,258	\$ 2,155,475
Cash flows from operating activities		
Change in net assets	(867,551)	1,507,185
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	299,052	266,487
Amortization on debt issuance costs	15,720	15,720
Donated investments	(29,733)	(35,942)
Realized gain on sale of investments	21,862	(22,939)
Unrealized gain on investments	380,231	(48,712)
Dividends reinvested	(49,780)	(118,065)
PPP loan forgiveness	-	(302,915)
Change in:		
Contributions and grants receivable, net	277,412	372,368
Accounts receivable	308,543	(311,551)
Prepaid expenses	(7,757)	(3,072)
Deposits	(4,447)	-
Accounts payable	28,400	(27,155)
Earned time off	24,673	(4,639)
Accrued payroll and taxes	45,784	12,586
Deferred revenue	9,527	-
Net cash provided (used) by operating activities	451,936	1,299,356
Cash flows from investing activities		
Proceeds from the sale of investments	172,595	21,144
Payments for the purchase of investments	(145,679)	(40,225)
Payments for the purchase of property and equipment	(83,116)	(180,063)
Net cash provided (used) by investing activities	(56,200)	(199,144)
Cash flows from financing activities		
Payments on notes payable	(141,532)	(310,344)
Proceeds from PPP loan	-	302,915
Net cash provided (used) by financing activities	(141,532)	(7,429)
Net change in cash	254,204	1,092,783
Cash, end of year	\$ 3,502,462	\$ 3,248,258

Faith Family Medical Center, Inc. and Subsidiary
Notes to Consolidated Financial Statements
For the Years Ended December 31, 2022 and 2021

Note 1. Summary of Significant Accounting Policies

Organization and Nature of Activities

Faith Family Medical Center, Inc. (FFMC, 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.

The Center established an entity called FFMC Support Organization as part of the New Market Tax Credit (NMTC) transaction during 2019, which provided funding for the Center's new medical facility. FFMC Support Organization (Support Organization) is a sole member organization controlled by the Center.

The Center and the Support Organization are collectively referred to herein as the Organization.

Basis of Accounting

The consolidated financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (US GAAP).

Principles of Consolidation

In accordance with the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-810 *Not-for-Profit Entities/Consolidations*, the financial statements of the Organization and the Support Organization have been consolidated and all inter-organization transactions and accounts have been eliminated.

Financial Statement Presentation

Financial statement presentation is reported in accordance with the FASB ASC 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 Organization'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 Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby 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 released from restrictions and reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

Use of Estimates

The preparation of consolidated financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Faith Family Medical Center, Inc. and Subsidiary
Notes to Consolidated Financial Statements
For the Years Ended December 31, 2022 and 2021

Note 1. Summary of Significant Accounting Policies

Cash and Cash Equivalents

For purposes of the consolidated statements of cash flows, cash includes cash on hand, demand deposits, money market, and investments with initial maturities of three months or less. Cash and cash equivalents also include NMTC cash in bank accounts as part of the NMTC transaction. Separate cash accounts are required to track NMTC activity in order to comply with NMTC regulations. The NMTC cash balance as of December 31, 2022 and 2021, was \$417,963 and \$411,642, respectively. There are no cash equivalents at December 31, 2022 and 2021.

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. Management has recorded an allowance for doubtful accounts of \$14,800 and \$4,800 as of December 31, 2022 and 2021, respectively.

Accounts Receivable

Accounts receivable consists primarily of amounts due from patients for services provided by the Organization. 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, 2022 and 2021, are expected to be collected within one year. As a result, management has determined that an allowance for uncollectible accounts is not necessary.

Note Receivable, NMTC

The note receivable, NMTC is collateralized by the membership interests related to the NMTC transaction (see notes 6 and 7) and is stated at the principal amount. Management assesses the credit quality of the NMTC note based on indicators such as collateralization and collection experience. As of December 31, 2022 and 2021, no allowance has been established.

Property and Equipment

The Organization's policy is 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 method 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 2022 and 2021, is \$12,052 and \$9,378, respectively.

Fair Value

Management has adopted the *Fair Value Measurements and Disclosures* topic of the FASB ASC 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

Faith Family Medical Center, Inc. and Subsidiary
Notes to Consolidated Financial Statements
For the Years Ended December 31, 2022 and 2021

Note 1. Summary of Significant Accounting Policies

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 of consecutive service	30	25
Five to ten years of 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, 2022 and 2021, earned time off is \$142,171 and \$117,498, respectively.

Medical Services Revenue

Medical services revenues are recorded at the Organization's established rates with charitable allowances deducted to arrive at net medical services revenues.

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.

Contributions of Nonfinancial Assets

In September 2020, the FASB issued Accounting Standards Update (ASU) 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires a not-for-profit entity to present contributed nonfinancial assets in the statement of activities as a line item that is separate from contributions of cash or other financial assets. ASU 2020-07 also requires additional qualitative and quantitative disclosures about contributed nonfinancial assets received, disaggregated by category. This ASU was retroactively adopted by the Organization on January 1, 2021.

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.

Contributed services are reflected in the consolidated 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.

Faith Family Medical Center, Inc. and Subsidiary
Notes to Consolidated Financial Statements
For the Years Ended December 31, 2022 and 2021

Note 1. Summary of Significant Accounting Policies

Program and Supporting Services

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

Program Services

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

Management and General

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 Organization's program strategy, business management, general recordkeeping, budgeting, and related purposes.

Fundraising

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.

Functional Expenses

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

	Method of allocation
Salaries and benefits	Time and effort
Insurance	Time and effort
Interest	Square-footage
Meals	Time and effort
Occupancy	Square-footage
Printing and postage	Time and effort
Rent	Square-footage
Supplies, office	Time and effort
Travel	Time and effort
Miscellaneous	Time and effort

Advertising Costs

Advertising costs are charged to operations when incurred. Advertising and marketing expense is \$55,721 and \$3,190 for the years ended December 31, 2022 and 2021, respectively.

Faith Family Medical Center, Inc. and Subsidiary
Notes to Consolidated Financial Statements
For the Years Ended December 31, 2022 and 2021

Note 1. Summary of Significant Accounting Policies

Income Taxes

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

PPP Loan

On January 30, 2020, the World Health Organization declared the COVID-19 outbreak a "Public Health Emergency of International Concern" and on March 11, 2020, declared it to be a pandemic. The Organization received a loan in accordance with the Paycheck Protection Program (PPP) section of the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act). GAAP provides organizations with two alternatives for reporting the loan and any future forgiveness: 1) proceeds can be treated as *debt* and future forgiveness recognized as income when the loan or any portion thereof is formally discharged; or 2) proceeds can be treated as a *conditional contribution* where they recognize a refundable advance and derecognize the liability, and recognize income, as the conditions for forgiveness are substantially met or explicitly waived. The Organization has elected to treat the PPP loan as a conditional contribution.

Employee Retention Credit

The Organization has recognized \$309,948 in employee retention credits for the year ended December 31, 2021, in accordance with the CARES Act. The Organization has elected to treat these credits as conditional contributions and has recorded them as other income.

Leases (New Accounting Standard Adopted in 2022)

In February 2016, the FASB issued ASC Topic 842, *Leases*, to increase transparency and comparability among organizations related to their leasing arrangements. The update requires lessees to recognize most leases on their statement of financial position as a right-of-use (ROU) asset representing the right to use an underlying asset and a lease liability representing the obligation to make lease payments over the lease term, measured on a discounted basis. Topic 842 also requires additional disclosure of key qualitative and quantitative information for leasing arrangements. Similar to the previous lease guidance, the update retains a distinction between finance leases (similar to capital leases in Topic 840, *Leases*) and operating leases, with classification affecting the pattern of expense recognition in the statement of activities. The Organization adopted Topic 842 on January 1, 2022, using the optional transition method to the modified retrospective approach, which eliminates the requirement to restate the prior-period financial statements. Under this transition provision, the Organization has applied Topic 842 to reporting periods beginning on January 1, 2022, while prior periods continue to be reported in accordance with the Organization's historical accounting treatment under ASC Topic 840, *Leases*. The Organization made an accounting policy election available under Topic 842 not to recognize ROU assets and lease liabilities for leases with a term of 12 months or less. The adoption of ASC 842 had no material effect on the consolidated financial statements as they have been eliminated in consolidation.

Reclassifications

Certain reclassifications have been made to the 2021 financial statements to conform to the 2022 presentation.

Faith Family Medical Center, Inc. and Subsidiary
Notes to Consolidated Financial Statements
For the Years Ended December 31, 2022 and 2021

Note 2. New Market Tax Credit

On August 27, 2019, the Organization entered into a NMTC financing transaction to partially fund the construction of a new Nashville building. The NMTC program is designed to spur new or increased investments into operating businesses and real estate projects located in low-income communities by offering the NMTC investor a federal tax credit in exchange for their investments. To earn the tax credit the NMTC Investor must remain invested for a seven-year period, which will end in 2026 for the Organization's project. As part of this financing arrangement, the Organization issued a \$6,046,050 note receivable to FFMC Nashville Investment Fund, LLC (Investment Fund). The Investment Fund is wholly owned by SunTrust Community Capital, LLC (NMTC Investor). The Investment Fund in turn wholly owns the TRF NMTC Fund XLV, LP. TRF NMTC Fund XLV, LP made loans totaling \$8,500,000 to the Organization's project. As part of this financing arrangement, the Organization entered into a put and call agreement (Agreement) to take place at the end of the seven-year tax credit period. Under the Agreement, the NMTC Investor can exercise the put option to sell all interests in the Investment Fund to the Organization for \$1,000. If the NMTC Investor does not exercise that put option then the agreement allows the Organization to exercise a call option to purchase the NMTC Investor's interest in the Investment Fund at an appraised fair market value. The Organization is the leveraged lender in this transaction and obtained a loan from The Reinvestment Fund, Inc. (TRF) (note 7).

As part of the transaction, the Organization deeded the land related to the Nashville building to the Support Organization. In addition, the Support Organization reimbursed the Organization for construction-related costs of \$1,457,153. Any amount remaining on the Organization's books related to the Nashville building after the reimbursement of construction-related costs will be considered a transfer to the Support Organization. These transactions have been eliminated in consolidation.

Note 3. Availability and Liquidity

The following represents the Organization's financial assets:

	2022	2021
Financial assets		
Cash	\$ 2,507,813	\$ 2,246,632
Investments	2,036,506	2,386,002
Contributions and grants receivable	458,187	735,599
Accounts receivable	<u>21,760</u>	<u>330,303</u>
Total financial assets at year-end	5,024,266	5,698,536
Less amounts not available to be used within one year		
Cash restricted by donors for capital campaign	-	1,761
Cash restricted by NMTC	417,963	411,642
Receivables due in more than one year	-	26,660
Restricted net assets	<u>321,232</u>	<u>50,000</u>
	739,195	490,063
Financial assets available to meet cash needs for general expenditures within one year	\$ 4,285,071	\$ 5,208,473

Faith Family Medical Center, Inc. and Subsidiary
Notes to Consolidated Financial Statements
For the Years Ended December 31, 2022 and 2021

Note 3. Liquidity and Availability

The Organization's goal is to maintain financial assets to meet three months of operating expenses which is estimated by the Organization to be \$605,000. As part of its liquidity plan, excess cash is invested in money market accounts and investments in equities and mutual funds.

Note 4. Investments

Investments are reported at fair value on a recurring basis determined by reference to quoted market prices in active markets (Level 1).

Fair value of investments as follows:

	2022	2021
Mutual funds	\$ 1,475,758	\$ 1,777,905
Exchange-traded funds	<u>560,748</u>	<u>608,097</u>
	\$ 2,036,506	\$ 2,386,002

Investment income consists of the following:

	2022	2021
Realized gain (loss)	\$ 31,442	\$ 22,939
Unrealized gain (loss)	(417,316)	63,649
Interest and dividend income	45,515	129,044
Investment fees	<u>(14,122)</u>	<u>(14,937)</u>
Total investment income (loss)	\$ (354,481)	\$ 200,695

Note 5. Contributions and Grants Receivable

The amounts of contributions and grants receivable are as follows:

	2022	2021
Contributions and grants receivable	\$ 472,987	\$ 742,163
Discounts for the time value of money	-	(1,764)
Allowance for doubtful accounts	<u>(14,800)</u>	<u>(4,800)</u>
Contributions and grants receivables, net	\$ 458,187	\$ 735,599

The discount rate used to determine present value is 4.00%.

Faith Family Medical Center, Inc. and Subsidiary
Notes to Consolidated Financial Statements
For the Years Ended December 31, 2022 and 2021

Note 5. Contributions and Grants Receivable

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

	2022	2021
Receivable in less than one year	\$ 458,187	\$ 708,939
Receivable in one to five years	<u>-</u>	<u>26,660</u>
Total receivables	\$ 458,187	\$ 735,599

Note 6. Note Receivable, NMTC

The note receivable, NMTC is due from FFMC Nashville Investment Fund, LLC (an unrelated party) with interest at 1% per annum until July 15, 2026; at which point interest and principal payments will be due quarterly until maturity on August 27, 2047. The note is collateralized by a security interest in the membership interests of the community development entity, TRF NMTC Fund XLV, LP.

The loan and regulatory agreement restrict the use of the funds to the Organization who qualifies as a qualified active low-income community business for the term of the note. The balance due to the Organization is \$6,046,050 (see note 7).

The interest income on the note receivable, NMTC is approximately \$60,460 per year.

Note 7. Long-term Debt

On August 27, 2019, as part of the NMTC transaction, the Organization made a loan of \$6,046,050 to the Investment Fund. The loan is due August 27, 2047, and carries an annual interest rate of 1% (see note 6).

On August 27, 2019, the Organization entered into a source loan and security agreement (Source Loan) with TRF in order to fund its loan to the Investment Fund. The Source Loan is for \$1,856,634 with an interest rate of 5% and matures on August 27, 2022. Interest only payments are due monthly and the entire principal balance is due upon maturity. The collateral for the Source Loan is the Organization's interest in the note receivable from the Investment Fund (note receivable, NMTC). In conjunction with the Source Loan, the Organization is required to deposit all funds paid pursuant to any pledges in a given calendar month into a controlled funding account which had a balance of \$36 and \$1,000 at December 31, 2022 and 2021, respectively. TRF has a security interest in and sole control over the account. The balance on the Source Loan was \$141,532 at December 31, 2021 and was fully paid off in 2022.

In conjunction with the Organization's note receivable, SunTrust Community Capital, LLC (NMTC Investor) contributed \$2,741,450 to the Investment Fund. The NMTC Investor will receive tax credits in return for its investment in the Investment Fund. The Investment Fund used the collective proceeds from the Organization and the NMTC Investor to fund a Community Development Entity (CDE), TRF NMTC Fund XLV, LLP.

Faith Family Medical Center, Inc. and Subsidiary
Notes to Consolidated Financial Statements
For the Years Ended December 31, 2022 and 2021

Note 7. Long-term Debt

The Support Organization entered into an \$8,500,000 loan agreement with TRF NMTC Fund XLV, LP. The loan consists of two tranches, Loan A in the amount of \$6,046,050 and Loan B in the amount of \$2,453,950, both of which have an interest rate of 1.2115% per annum. Interest payments are due and payable quarterly, in arrears, beginning October 1, 2019. Commencing on January 1, 2027, quarterly payments of principal and interest are due in arrears until maturity. The loans mature on August 27, 2049. The loans are secured by a deed of trust, security agreement, assignment of rents and leases and financing statement on the Nashville property. The note payable is \$8,500,000 at December 31, 2022. A portion of the proceeds is to be held in a reserve fund for payment of a portion of the debt service and certain other expenses of the Support Organization. Proceeds of the loan that have not been spent on construction or moved to the reserve account are held in a disbursement account. The reserve account and disbursement account are under the control of TRF NMTC Fund XLV, LP and have balances of \$0 and \$0 at December 31, 2022 and 2021, respectively.

The NMTCs were allocated in this transaction pursuant to Section 45D of the IRC. After the seven-year NMTC compliance period expires, it is anticipated that the NMTC Investor will exercise its put option to sell its ownership interest in the Investment Fund to the Organization for \$1,000. If the NMTC Investor does not exercise that put option then the put and call agreement allows the Organization to exercise a call option to purchase the NMTC Investor's interest in the Investment Fund at an appraised fair value. If the exit transactions are completed, the Organization will be the holder of the Investment Fund's note payable and, as such, the loan has been eliminated in the consolidated financial statements. It is anticipated that the loans will be discharged.

Note 8. PPP Loan

On March 26, 2021, the Organization received its second draw of the PPP loan in the amount of \$302,915. Under this loan program, the Organization may be eligible for forgiveness of some portion of the loan up to 100%, if and when qualifying conditions are met. Accounting for the loan and any future forgiveness could have an impact on future financial reporting. The Organization has elected to treat the PPP loan as a *conditional contribution* and recorded it as contributions and grants in the financial statements. The Organization received forgiveness for this loan on February 11, 2022.

Note 9. Net Assets

Net assets with donor restrictions consist of the following at December 31:

	2022	2021
Purpose restrictions	\$ 249,232	\$ -
Time restrictions	<u>72,000</u>	<u>50,000</u>
Total net assets with donor restrictions	<u>\$ 321,232</u>	<u>\$ 50,000</u>

Faith Family Medical Center, Inc. and Subsidiary
Notes to Consolidated Financial Statements
For the Years Ended December 31, 2022 and 2021

Note 10. Contributions of Nonfinancial Assets

The following represents contributed nonfinancial assets:

	2022	2021
Medical supplies	\$ 2,471,896	\$ 504,175
Rent	19,100	18,564
Services	<u>121,625</u>	<u>37,992</u>
Total revenues	\$ 2,612,621	\$ 560,731

Unless otherwise noted, the Organization did not recognize any contributions of nonfinancial assets with donor-imposed restrictions. Contributions of nonfinancial assets are used in the ongoing operations of the Organization.

The contributed rent is a land lease for the Organization's parking lot. The Organization estimated the fair value based on comparable land values, with a 3% increase each year.

Contributed medical supplies are primarily pharmaceuticals that are utilized in medical services provided by the Organization. Medical supplies were valued at quoted market prices as provided by the donors.

Contributed services recognized comprise medical services by physicians and professional services related to fundraising events held by the Organization. Contributed services are valued and are reported at their estimated fair value in the financial statements based on current rates for similar services.

Note 11. Pension Plan

The Organization has a simplified employee pension plan (SEP) for the benefit of its employees who have attained the age of 18 and been employed with the Organization for one year. The plan provides for discretionary contributions by the Organization 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, 2022 and 2021, the Organization funded 6% of compensation for eligible employees for a total of \$70,890 and \$69,553, respectively.

Note 12. Leases as Lessor

The Organization leases office space to tenants under noncancelable operating leases with terms of five to seven years.

Minimum future rentals required under the operating lease agreements in effect at December 31, 2022 are as follows:

Year ended December 31,	
2023	\$ 118,789
2024	122,040
2025	125,381
2026	102,755
2027	<u>39,845</u>
Total	\$ 508,810

Faith Family Medical Center, Inc. and Subsidiary
Notes to Consolidated Financial Statements
For the Years Ended December 31, 2022 and 2021

Note 12. Leases as Lessor

As of December 31, 2022 and 2021, 4,514 square feet of the 17,126 square foot building was being utilized under leasing agreements or held for lease. A summary of property held for leasing activities is as follows:

	2022	2021
Rental portion of building and improvements at cost	\$ 1,329,066	\$ 1,291,786
Less: accumulated depreciation	<u>(131,927)</u>	<u>(62,444)</u>
	\$ 1,197,139	\$ 1,229,342

Total rent income, included in interest and other income on the statement of activities, was \$114,322 and \$82,393 for 2022 and 2021, respectively.

Note 13. Concentrations

The Organization holds cash with three financial institutions in Nashville, Tennessee. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2022 and 2021, the Organization's cash accounts exceeded the insurance coverage by \$2,770,115 and \$2,584,680, respectively. The Organization believes it is not exposed to any significant credit risk on cash and cash equivalents.

Note 14. Supplemental Cash Flow Disclosure

Supplemental cash flow disclosure is as follows:

	2022	2021
Cash paid during the year for		
Interest	\$ 1,311	\$ 7,537
Reconciliation of cash to statement of financial position		
Cash	\$ 3,084,499	\$ 2,834,855
Cash restricted by donors for capital campaign	-	1,761
Cash restricted by NMTC	<u>417,963</u>	<u>411,642</u>
	\$ 3,502,462	\$ 3,248,258

Note 15. Subsequent Events

Management has evaluated subsequent events through April 18, 2023, the date on which the financial statements were available for issuance.

Supplementary Information

Faith Family Medical Center, Inc. and Subsidiary

Consolidating Schedule of Financial Position

December 31, 2022

	FFMC	FSO	Eliminations	Total
Assets				
Current assets				
Cash	\$ 2,338,526	\$ 745,973	\$ -	\$ 3,084,499
Investments	2,036,506	-	-	2,036,506
Contributions and grants receivable	458,187	-	-	458,187
Accounts receivable	21,760	-	-	21,760
Prepaid expenses	40,170	-	-	40,170
Due from support organization	<u>1,392,197</u>	<u>-</u>	<u>(1,392,197)</u>	<u>-</u>
Total current assets	6,287,346	745,973	(1,392,197)	5,641,122
Property and equipment				
Land	-	2,233,775	-	2,233,775
Building and improvements	8,122	5,575,095	-	5,583,217
Computer equipment	76,021	-	-	76,021
Medical equipment	2,750	86,761	-	89,511
Office equipment	1,876	208,038	-	209,914
Less: accumulated depreciation	<u>(30,585)</u>	<u>(653,259)</u>	<u>-</u>	<u>(683,844)</u>
Property and equipment, net	58,184	7,450,410	-	7,508,594
Other assets				
Cash restricted by donors for capital campaign	-	-	-	-
Cash restricted by NMTC	169,287	248,676	-	417,963
Contributions and grants receivable, net	-	-	-	-
Note receivable, NMTC	6,046,050	-	-	6,046,050
Right of use assets	11,857,939	-	(11,857,939)	-
Deposits	<u>300</u>	<u>4,447</u>	<u>-</u>	<u>4,747</u>
Total other assets	<u>18,073,576</u>	<u>253,123</u>	<u>(11,857,939)</u>	<u>6,468,760</u>
Total assets	\$ 24,419,106	\$ 8,449,506	\$ (13,250,136)	\$ 19,618,476

Faith Family Medical Center, Inc. and Subsidiary

Consolidating Schedule of Financial Position

December 31, 2022

	FFMC	FSO	Eliminations	Total
Liabilities and Net Assets				
Current liabilities				
Accounts payable	\$ 53,584	\$ 45,310	\$ -	\$ 98,894
Tenant deposits payable	10,899	-	-	10,899
Earned time off	142,171	-	-	142,171
Accrued payroll and taxes	80,275	-	-	80,275
Lease liabilities, current	112,652	-	(112,652)	-
Due to center	-	1,392,197	(1,392,197)	-
Deferred revenue	<u>9,527</u>	<u>-</u>	<u>-</u>	<u>9,527</u>
Total current liabilities	409,108	1,437,507	(1,504,849)	341,766
Notes payable, net	-	8,079,613	-	8,079,613
Lease liabilities, net	<u>11,978,180</u>	<u>-</u>	<u>(11,978,180)</u>	<u>-</u>
Total liabilities	12,387,288	9,517,120	(13,483,029)	8,421,379
Net assets				
Without donor restrictions	11,710,586	(1,067,614)	232,893	10,875,865
With donor restrictions	<u>321,232</u>	<u>-</u>	<u>-</u>	<u>321,232</u>
Total net assets	<u>12,031,818</u>	<u>(1,067,614)</u>	<u>232,893</u>	<u>11,197,097</u>
Total liabilities and net assets	\$ 24,419,106	\$ 8,449,506	\$ (13,250,136)	\$ 19,618,476

Faith Family Medical Center, Inc. and Subsidiary
Consolidating Schedule of Activities
For the Year Ended December 31, 2022

	FFMC			FSO				
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total	Eliminations	Consolidated totals
Support and Revenues								
Medical services, net	\$ 292,498	\$ -	\$ 292,498	\$ -	\$ -	\$ -	\$ -	\$ 292,498
Contributions of cash and other financial assets	1,889,303	409,000	2,298,303	-	-	-	-	2,298,303
Contributions of nonfinancial assets	2,612,621	-	2,612,621	-	-	-	-	2,612,621
Investment income (loss), net	(354,481)	-	(354,481)	-	-	-	-	(354,481)
Interest and other income	366,371	-	366,371	335,241	-	335,241	(510,364)	191,248
Net assets released from restrictions	<u>137,768</u>	<u>(137,768)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total support and revenues	4,944,080	271,232	5,215,312	335,241	-	335,241	(510,364)	5,040,189
Expenses								
Program services	5,171,414	-	5,171,414	606,548	-	606,548	(743,257)	5,034,705
Supporting services								
Management and general	374,648	-	374,648	130,338	-	130,338	-	504,986
Fundraising	<u>368,049</u>	<u>-</u>	<u>368,049</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>368,049</u>
Total expenses	5,914,111	-	5,914,111	736,886	-	736,886	(743,257)	5,907,740
Change in net assets	(970,031)	271,232	(698,799)	(401,645)	-	(401,645)	232,893	(867,551)
Net assets, beginning of year	<u>12,680,617</u>	<u>50,000</u>	<u>12,730,617</u>	<u>(665,969)</u>	<u>-</u>	<u>(665,969)</u>	<u>-</u>	<u>12,064,648</u>
Net assets, end of year	\$ 11,710,586	\$ 321,232	\$ 12,031,818	\$ (1,067,614)	\$ -	\$ (1,067,614)	\$ 232,893	\$ 11,197,097