

Faith Family Medical Center, Inc. and Subsidiary

Consolidated Financial Statements
For the Years Ended December 31, 2020 and 2019

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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

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Faith Family Medical Center, Inc. and Subsidiary (a not-for-profit corporation), which comprise the consolidated statements of financial position as of December 31, 2020 and 2019, 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).

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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Faith Family Medical Center, Inc. and Subsidiary as of December 31, 2020 and 2019, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the basic 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 audits of the 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 auditing standards generally accepted in the United States of America. 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 26, 2021

Faith Family Medical Center, Inc. and Subsidiary

Consolidated Statements of Financial Position

December 31, 2020 and 2019

	2020	2019
Assets		
Current assets		
Cash	\$ 946,329	\$ 331,788
Investments	2,141,263	1,923,672
Contributions and grants receivable	1,017,767	1,276,912
Accounts receivable	18,752	11,281
Prepaid expenses	29,341	29,797
Total current assets	4,153,452	3,573,450
Property and equipment		
Land	2,233,775	2,233,775
Construction in progress	-	1,191,138
Building and improvements	5,383,333	214,909
Computer equipment	36,803	254,756
Medical equipment	89,511	44,089
Office equipment	185,837	61,950
Less: accumulated depreciation	(118,305)	(531,356)
Total property and equipment	7,810,954	3,469,261
Other assets		
Cash restricted by donors for capital campaign	46,945	687,592
Cash restricted by NMTC	1,162,201	6,101,622
Investments restricted by capital campaign	-	887
Contributions and grants receivable, net	90,200	436,434
Note receivable - NMTC	6,046,050	6,046,050
Deposits	300	300
Total other assets	7,345,696	13,272,885
Total assets	\$ 19,310,102	\$ 20,315,596
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 97,649	\$ 396,530
Tenant deposits payable	10,899	1,495
Earned time off	122,137	97,222
Accrued payroll and taxes	21,905	65,772
Total current liabilities	252,590	561,019
Notes payable, net	8,500,049	9,889,088
Total liabilities	8,752,639	10,450,107
Net assets		
Without donor restrictions	10,502,463	2,400,365
With donor restrictions	55,000	7,465,124
Total net assets	10,557,463	9,865,489
Total liabilities and net assets	\$ 19,310,102	\$ 20,315,596

See notes to consolidated financial statements

Faith Family Medical Center, Inc. and Subsidiary

Consolidated Statement of Activities For the Year Ended December 31, 2020

	Without donor restrictions	With donor restrictions	Total
Support and Revenues			
Medical services, net	\$ 192,144	\$ -	\$ 192,144
Contributions and grants	2,523,016	153,068	2,676,084
Investment income (loss), net	295,823	-	295,823
Donated medical services	27,438	-	27,438
Donated rent	45,374	-	45,374
Donated equipment, supplies, and other services	515,067	-	515,067
Interest and other income	17,564	-	17,564
Net assets released from restrictions	<u>7,563,192</u>	<u>(7,563,192)</u>	<u>-</u>
Total support and revenues	11,179,618	(7,410,124)	3,769,494
Expenses			
Program services	2,613,330	-	2,613,330
Supporting services			
Management and general	129,350	-	129,350
Fundraising	<u>334,840</u>	<u>-</u>	<u>334,840</u>
Total expenses	3,077,520	-	3,077,520
Change in net assets	8,102,098	(7,410,124)	691,974
Net assets, beginning of year	<u>2,400,365</u>	<u>7,465,124</u>	<u>9,865,489</u>
Net assets, end of year	\$ 10,502,463	\$ 55,000	\$ 10,557,463

Faith Family Medical Center, Inc. and Subsidiary

Consolidated Statement of Activities For the Year Ended December 31, 2019

	Without donor restrictions	With donor restrictions	Total
Support and Revenues			
Medical services, net	\$ 239,365	\$ -	\$ 239,365
Contributions and grants	1,500,736	2,088,643	3,589,379
Investment income (loss), net	412,341	-	412,341
Donated medical services	55,582	-	55,582
Donated rent	116,799	-	116,799
Donated equipment, supplies, and other services	69,516	-	69,516
Interest and other income	99,701	-	99,701
Net assets released from restrictions	<u>246,718</u>	<u>(246,718)</u>	<u>-</u>
Total support and revenues	2,740,758	1,841,925	4,582,683
Expenses			
Program services	2,115,316	-	2,115,316
Supporting services			
Management and general	117,722	-	117,722
Fundraising	<u>356,828</u>	<u>-</u>	<u>356,828</u>
Total expenses	2,589,866	-	2,589,866
Change in net assets	150,892	1,841,925	1,992,817
Net assets, beginning of year	<u>2,249,473</u>	<u>5,623,199</u>	<u>7,872,672</u>
Net assets, end of year	\$ 2,400,365	\$ 7,465,124	\$ 9,865,489

Faith Family Medical Center, Inc. and Subsidiary

Consolidated Statement of Functional Expenses

For the Year Ended December 31, 2020

	Program services	Management and general	Capital campaign fundraising	Other fundraising	Total
Salaries	\$ 1,222,457	\$ 72,584	\$ 22,692	\$ 164,802	\$ 1,482,535
Benefits	160,544	7,356	-	9,542	177,442
Payroll taxes	16,002	1,085	277	2,782	20,146
Advertising and marketing	546	78	-	6,542	7,166
Bad debt	4,430	-	-	-	4,430
Building repairs and maintenance	17,035	609	-	609	18,253
Continuing education	1,433	1,500	-	-	2,933
Contract labor	730	5,900	-	7,986	14,616
Donated medical services	27,438	-	-	-	27,438
Dues and subscriptions	18,794	3,617	1,445	14,194	38,050
Equipment repairs and maintenance	22,522	258	-	6,390	29,170
Fees and licenses	2,397	-	-	400	2,797
Insurance	30,968	4,106	-	870	35,944
Interest	181,495	-	-	-	181,495
Lab services	30,767	-	-	-	30,767
Meals	7,862	1,066	-	992	9,920
Postage and handling	1,697	-	-	6,847	8,544
Printing and publications	996	38	802	24,255	26,091
Professional fees	56,421	22,122	8,950	24,383	111,876
Rent - building	45,374	-	-	-	45,374
Rent - equipment	12,579	270	-	681	13,530
Special events	295	-	-	11,075	11,370
Specific assistance to individuals	4,615	-	-	-	4,615
Supplies - medical	544,325	-	-	-	544,325
Supplies - office	21,147	982	-	2,070	24,199
Travel	602	197	-	197	996
Utilities	46,073	2,575	-	2,575	51,223
Wellness	298	-	-	-	298
Bank service charges	3,448	-	-	833	4,281
Miscellaneous	26,472	-	-	-	26,472
Total before deprecation	2,509,762	124,343	34,166	288,025	2,956,296
Depreciation	103,568	5,007	-	12,649	121,224
Total expenses	\$ 2,613,330	\$ 129,350	\$ 34,166	\$ 300,674	\$ 3,077,520

See notes to consolidated financial statements

Faith Family Medical Center, Inc. and Subsidiary

Consolidated Statement of Functional Expenses

For the Year Ended December 31, 2019

	Program services	Management and general	Capital campaign fundraising	Other fundraising	Total
Salaries	\$ 1,184,798	\$ 72,114	\$ 62,416	\$ 100,351	\$ 1,419,679
Benefits	153,053	7,198	-	12,886	173,137
Payroll taxes	81,522	5,551	4,460	7,781	99,314
Advertising and marketing	8,114	-	100	10,194	18,408
Bad debt	7,982	-	-	-	7,982
Building repairs and maintenance	21,951	713	-	713	23,377
Continuing education	1,197	2,500	-	502	4,199
Contract labor	12,553	3,613	1,787	9,149	27,102
Donated medical services	55,582	-	-	-	55,582
Dues and subscriptions	15,638	1,817	-	7,860	25,315
Equipment repairs and maintenance	28,776	806	3,955	4,250	37,787
Fees and licenses	17,550	-	-	-	17,550
Insurance	21,569	4,252	-	1,238	27,059
Interest	63,381	210	-	-	63,591
Lab services	37,589	-	-	-	37,589
Meals	8,797	1,052	1,219	8,562	19,630
Postage and handling	5,782	298	1,423	9,885	17,388
Printing and publications	2,605	33	2,963	21,850	27,451
Professional fees	121,774	12,101	47,550	14,659	196,084
Rent - building	116,799	-	-	-	116,799
Rent - equipment	11,406	378	-	954	12,738
Special events	3,301	-	2,910	9,305	15,516
Specific assistance to individuals	5,414	-	-	-	5,414
Supplies - medical	33,811	-	-	-	33,811
Supplies - office	16,349	579	555	1,558	19,041
Travel	1,724	161	-	203	2,088
Utilities	29,483	1,327	-	1,327	32,137
Wellness	5,333	-	-	-	5,333
Bank service charges	5,176	1,817	-	1,186	8,179
Miscellaneous	3,197	-	40	-	3,237
Total before deprecation	2,082,206	116,520	129,378	224,413	2,552,517
Depreciation	33,110	1,202	-	3,037	37,349
Total expenses	\$ 2,115,316	\$ 117,722	\$ 129,378	\$ 227,450	\$ 2,589,866

See notes to consolidated financial statements

Faith Family Medical Center, Inc. and Subsidiary

Consolidated Statements of Cash Flows For the Years Ended December 31, 2020 and 2019

	2020	2019
Cash, beginning of year	\$ 7,121,002	\$ 1,584,468
Cash flows from operating activities		
Change in net assets	691,974	1,992,817
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	121,224	37,349
Amortization on debt issuance costs	15,716	3,929
Loss on disposal of property and equipment	13,862	-
Donated investments	(273,801)	(75,819)
Realized gain on sale of investments	(17,692)	12,545
Unrealized loss on investments	(150,335)	(299,380)
Dividends re-investments	(59,464)	(87,238)
PPP loan forgiveness	(286,120)	-
Change in:		
Contributions and grants receivable, net	688,567	(785,219)
Accounts receivable	(7,471)	(1,977)
Prepaid expenses	456	(1,597)
Contributions restricted for capital campaign	(100,917)	(741,793)
Accounts payable	(298,881)	378,625
Tenant deposits payable	9,404	(1,050)
Earned time off	24,915	14,189
Accrued payroll and taxes	(43,867)	2,588
Net cash provided (used) by operating activities	327,570	447,969
Cash flows from investing activities		
Proceeds from the sale of investments	1,226,890	3,420,900
Payments for the purchase of investments	(942,302)	(1,930,709)
Payments for the purchase of property and equipment	(4,486,025)	(654,300)
Net cash provided (used) by investing activities	(4,201,437)	835,891
Cash flows from financing activities		
Collections of contributions restricted for capital campaign	26,975	413,565
Issuance of note receivable - NMTC	-	(6,046,050)
Borrowings on notes payable	-	10,356,634
Payments for debt issuance costs	-	(471,475)
Payments on notes payable	(1,404,755)	-
Proceeds from PPP loan	286,120	-
Net cash provided (used) by financing activities	(1,091,660)	4,252,674
Net change in cash	(4,965,527)	5,536,534
Cash, end of year	\$ 2,155,475	\$ 7,121,002

See notes to consolidated financial statements

Faith Family Medical Center, Inc. and Subsidiary
Notes to Consolidated Financial Statements
For the Years Ended December 31, 2020 and 2019

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 Organization funds its operations from patient fees, contributions, grants, and investment income.

The Organization 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, 2020 and 2019

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, 2020 and 2019, was \$1,162,201 and \$6,101,622, respectively. There are no cash equivalents at December 31, 2020 and 2019.

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 \$4,800 as of December 31, 2020 and 2019.

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, 2020 and 2019, 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, 2020 and 2019, no allowance has been established.

Property and Equipment and Depreciation

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 the years ended December 31, 2020 and 2019, is \$121,224 and \$37,349.

Fair Market 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, 2020 and 2019

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, 2020 and 2019, earned time off is \$122,137 and \$97,222.

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.

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, 2020 and 2019

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 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.

Capital Campaign Fundraising

Capital campaign fundraising includes costs of activities directed toward appeals for financial support of the ongoing capital campaign. The primary purpose of the capital campaign is to construct a new medical office building.

Other Fundraising

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

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, taxes, and benefits	Time and effort
Building repairs and maintenance	Square-footage
Insurance	Time and effort
Interest	Square-footage
Meals	Time and effort
Postage and handling	Time and effort
Printing and publications	Time and effort
Rent – building	Square-footage
Rent – equipment	Square-footage
Supplies – office	Time and effort
Travel	Time and effort
Utilities	Square-footage
Miscellaneous	Time and effort

Faith Family Medical Center, Inc. and Subsidiary
Notes to Consolidated Financial Statements
For the Years Ended December 31, 2020 and 2019

Note 1. Summary of Significant Accounting Policies

Advertising Costs

Advertising costs are charged to operations when incurred. Advertising and marketing expense is \$7,166 and \$18,408 for the years ended December 31, 2020 and 2019, respectively.

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 Air, 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.

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.

Employee Retention Credit

The Organization has recognized \$83,188 in employee retention credits to be applied against payroll taxes for the year ended December 31, 2020, in accordance with the CARES Act. Accordingly, payroll taxes for the year ended December 31, 2020, are presented net of these credits. The Organization has also recorded this amount in contributions and grants receivable, as the credit was not taken by December 31, 2020.

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 FPMC 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).

Faith Family Medical Center, Inc. and Subsidiary
Notes to Consolidated Financial Statements
For the Years Ended December 31, 2020 and 2019

Note 2. New Market Tax Credit

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 at December 31:

	2020	2019
Financial assets		
Cash	\$ 2,155,475	\$ 7,121,002
Investments	2,141,263	1,924,559
Receivables	<u>1,126,719</u>	<u>1,724,627</u>
Total financial assets at year-end	5,340,269	10,770,188
Less amounts not available to be used within one year		
Cash restricted by donors for capital campaign	46,945	687,592
Cash restricted by NMTC	1,162,201	6,101,622
Investments restricted by capital campaign	-	887
Capital campaign contributions receivable	<u>496,257</u>	<u>1,526,550</u>
	1,705,403	8,316,651
Financial assets available to meet cash needs for general expenditures within one year	\$ 3,634,866	\$ 2,453,537

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 of December 31 is as follows:

	2020	2019
Equities	\$ -	\$ 887
Mutual funds	1,788,783	1,107,516
Exchange-traded funds	<u>352,480</u>	<u>816,156</u>
	\$ 2,141,263	\$ 1,924,559

Faith Family Medical Center, Inc. and Subsidiary
Notes to Consolidated Financial Statements
For the Years Ended December 31, 2020 and 2019

Note 4. Investments

Investment income as of December 31 consist of the following:

	2020	2019
Realized gain, net	\$ 17,692	\$ (12,545)
Unrealized loss, net	162,750	314,989
Interest and dividend income	127,796	125,506
Investment fees	<u>(12,415)</u>	<u>(15,609)</u>
Total investment income (loss)	\$ 295,823	\$ 412,341

Note 5. Contributions and Grants Receivable

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

	2020	2019
Contributions and grants receivable	\$ 1,039,151	\$ 1,764,423
Discounts for the time value of money	(9,572)	(46,277)
Allowance for doubtful accounts	<u>(4,800)</u>	<u>(4,800)</u>
Contributions and grants receivables, net	\$ 1,024,779	\$ 1,713,346

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

	2020	2019
Receivable in less than one year	\$ 934,579	\$ 1,276,912
Receivable in one to five years	<u>90,200</u>	<u>436,434</u>
Total receivables	\$ 1,024,779	\$ 1,713,346

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 at December 31, 2020 is \$6,046,050 (see note 7).

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

Faith Family Medical Center, Inc. and Subsidiary
Notes to Consolidated Financial Statements
For the Years Ended December 31, 2020 and 2019

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 \$46,184 and \$510,412 at December 31, 2020 and 2019, respectively. TRF has a security interest in and sole control over the account. The balance on the Source Loan was \$451,876 and \$1,856,634 at December 31, 2020 and 2019, respectively.

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.

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, 2020. 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 \$356,081 and \$742,600 at December 31, 2020 and 2019, 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.

Faith Family Medical Center, Inc. and Subsidiary
Notes to Consolidated Financial Statements
For the Years Ended December 31, 2020 and 2019

Note 8. PPP Loan

On April 28, 2020, the Organization received a loan in the amount of \$286,120 in accordance with the PPP section of the CARES Act. 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 of this first draw on January 26, 2021 and received its second draw in the amount of \$302,915 on March 26, 2021.

Note 9. Net Assets

Net assets with donor restrictions were as follows at December 31:

	2020	2019
Capital campaign	\$ -	\$ 7,377,203
Technology	-	32,921
Other time restrictions	<u>55,000</u>	<u>55,000</u>
	\$ 55,000	\$ 7,465,124

Note 10. Conditional Promise to Give

During the years ended December 31, 2020 and 2019, the Organization was awarded Health Care Safety Net grants from the State of Tennessee. These grants reimburse the Organization for primary care medical encounters provided to adults meeting the grant criteria. Once grant criteria are met, the Organization recognizes grant revenues and a receivable.

Note 11. Donated 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 consolidated financial statements and the corresponding expenditure or asset capitalization at December 31, are as follows:

Revenues	2020	2019
Donated medical services	\$ 27,438	\$ 55,582
Donated equipment, supplies, and other services	515,067	69,516
Donated rent	<u>45,374</u>	<u>116,799</u>
Total revenues	\$ 587,879	\$ 241,897
 Expenses		
Donated services and supplies	\$ 542,505	\$ 118,486
Rent – building	45,374	116,799
Utilities	<u>-</u>	<u>6,612</u>
Total expenses	\$ 587,879	\$ 241,897

Faith Family Medical Center, Inc. and Subsidiary
Notes to Consolidated Financial Statements
For the Years Ended December 31, 2020 and 2019

Note 12. 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, 2020 and 2019, the Organization funded 6% of compensation for eligible employees for a total of \$66,201 and \$65,975, respectively.

Note 13. Operating Leases

Using the funds raised by the capital campaign, the Organization constructed a new primary care medical clinic on property owned by the Organization. Adjacent to this property, the Organization leases donated property from Saint Thomas Midtown Hospital. The leased property previously housed a 3,400 square foot medical office building located at 326 21st Avenue North in Nashville, Tennessee. Under the terms of the negotiated lease expiring on December 31, 2067, the Organization demolished the existing medical office building in late 2019 and replaced it with a parking lot to be used by the new clinic owned by the Organization. During the construction of the new clinic, the Organization leased additional temporary space from Saint Thomas. The fair market retail value of the leased property for the years ended December 31, 2020 and 2019, was \$43,374 and \$72,930, respectively. The new medical office building and parking lot are owned by the Support Organization and leased to the Center. The associated lease income and expense have been eliminated upon consolidation.

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

Future minimum rental payments required under operating leases that have initial or remaining non-cancelable base terms in excess of one year as of December 31, 2020:

Year ended December 31,		
2021	\$	5,592
2022		5,592
2023		<u>1,864</u>
Total	\$	13,048

Rental expense for all operating leases for the years ended December 31, 2020 and 2019, is \$13,530 and \$12,738, respectively.

Note 14. Concentration of Risks

The Organization was conducting a three year capital campaign to fund the expansion of its facilities. The campaign was started in 2017. For the year ended December 31, 2019, one capital campaign donor accounted for 14% of total revenues and support. There were no concentrations of donors for the year ended December 31, 2020.

The Organization holds cash with three financial institutions in Nashville, Tennessee. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At December 31, 2020 and 2019, the Organization's cash accounts exceeded the insurance coverage by \$1,446,684 and \$6,222,702, respectively. The Organization believes it is not exposed to any significant credit risk on cash and cash equivalents.

Faith Family Medical Center, Inc. and Subsidiary
Notes to Consolidated Financial Statements
For the Years Ended December 31, 2020 and 2019

Note 15. Supplemental Cash Flow Disclosure

Supplemental cash flow disclosure is as follows at December 31:

	2020	2019
Cash paid during the year for		
Interest	\$ 181,495	\$ 63,591
Property acquired with debt	\$ -	\$ 328,228
Reconciliation of cash to statement of financial position		
Cash	\$ 946,329	\$ 331,788
Cash restricted by donors for capital campaign	46,945	687,592
Cash restricted by NMTC	<u>1,162,201</u>	<u>6,101,622</u>
	\$ 2,155,475	\$ 7,121,002

Note 16. Subsequent Events

Management has evaluated subsequent events through April 26, 2021 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, 2020

	FFMC	FSO	Eliminating	Total
Assets				
Current assets				
Cash	\$ 942,766	\$ 3,563	\$ -	\$ 946,329
Investments	2,141,263	-	-	2,141,263
Contributions and grants receivable	1,017,767	-	-	1,017,767
Accounts receivable	18,752	-	-	18,752
Prepaid expenses	29,341	-	-	29,341
Due from support organization	<u>1,086,153</u>	<u>-</u>	<u>(1,086,153)</u>	<u>-</u>
Total current assets	5,236,042	3,563	(1,086,153)	4,153,452
Property and equipment				
Land	-	2,233,775	-	2,233,775
Construction in progress	-	-	-	-
Building and improvements	-	5,383,333	-	5,383,333
Computer equipment	36,803	-	-	36,803
Medical equipment	2,750	86,761	-	89,511
Office equipment	607	185,230	-	185,837
Less: accumulated depreciation	<u>(9,155)</u>	<u>(109,150)</u>	<u>-</u>	<u>(118,305)</u>
Total property and equipment	31,005	7,779,949	-	7,810,954
Other assets				
Cash restricted by donors for capital campaign	46,945	-	-	46,945
Cash restricted by NMTC	63,520	1,098,681	-	1,162,201
Contributions and grants receivable, net	90,200	-	-	90,200
Note receivable - NMTC	6,046,050	-	-	6,046,050
Deposits	<u>300</u>	<u>-</u>	<u>-</u>	<u>300</u>
Total other assets	<u>6,247,015</u>	<u>1,098,681</u>	<u>-</u>	<u>7,345,696</u>
Total assets	\$ 11,514,062	\$ 8,882,193	\$ (1,086,153)	\$ 19,310,102

Faith Family Medical Center, Inc. and Subsidiary

Consolidating Schedule of Financial Position

December 31, 2020

	FFMC	FSO	Eliminating	Total
Liabilities and Net Assets				
Current liabilities				
Accounts payable	\$ 50,635	\$ 47,014	\$ -	\$ 97,649
Tenant deposits payable	10,899	-	-	10,899
Earned time off	122,137	-	-	122,137
Accrued payroll and taxes	21,905	-	-	21,905
Due to center	<u>-</u>	<u>1,086,153</u>	<u>(1,086,153)</u>	<u>-</u>
Total current liabilities	205,576	1,133,167	(1,086,153)	252,590
Long-term debt	<u>451,876</u>	<u>8,048,173</u>	<u>-</u>	<u>8,500,049</u>
Total liabilities	657,452	9,181,340	(1,086,153)	8,752,639
Net assets				
Without donor restrictions	10,801,610	(299,147)	-	10,502,463
With donor restrictions	<u>55,000</u>	<u>-</u>	<u>-</u>	<u>55,000</u>
Total net assets	<u>10,856,610</u>	<u>(299,147)</u>	<u>-</u>	<u>10,557,463</u>
Total liabilities and net assets	\$ 11,514,062	\$ 8,882,193	\$ (1,086,153)	\$ 19,310,102

Faith Family Medical Center, Inc. and Subsidiary

Consolidating Schedule of Activities

For the Year Ended December 31, 2020

	FFMC			FSO			Consolidated eliminating	Consolidated totals
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total		
Support and Revenues								
Medical services, net	\$ 192,144	\$ -	\$ 192,144	\$ -	\$ -	\$ -	\$ -	\$ 192,144
Contributions and grants	2,523,016	153,068	2,676,084	-	-	-	-	2,676,084
Investment income (loss), net	295,823	-	295,823	-	-	-	-	295,823
Donated medical services	27,438	-	27,438	-	-	-	-	27,438
Donated rent	45,374	-	45,374	-	-	-	-	45,374
Donated equipment, supplies, and other services	515,067	-	515,067	-	-	-	-	515,067
Interest and other income	17,564	-	17,564	-	-	-	-	17,564
Net assets released from restrictions	<u>7,563,192</u>	<u>(7,563,192)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total support and revenues	11,179,618	(7,410,124)	3,769,494	-	-	-	-	3,769,494
Expenses								
Program services	2,363,521	-	2,363,521	249,809	-	249,809	-	2,613,330
Supporting services								
Management and general	124,842	-	124,842	4,508	-	4,508	-	129,350
Fundraising	<u>323,450</u>	<u>-</u>	<u>323,450</u>	<u>11,390</u>	<u>-</u>	<u>11,390</u>	<u>-</u>	<u>334,840</u>
Total expenses	2,811,813	-	2,811,813	265,707	-	265,707	-	3,077,520
Change in net assets	8,367,805	(7,410,124)	957,681	(265,707)	-	(265,707)	-	691,974
Net assets, beginning of year	<u>2,433,805</u>	<u>7,465,124</u>	<u>9,898,929</u>	<u>(33,440)</u>	<u>-</u>	<u>(33,440)</u>	<u>-</u>	<u>9,865,489</u>
Net assets, end of year	\$ 10,801,610	\$ 55,000	\$ 10,856,610	\$ (299,147)	\$ -	\$ (299,147)	\$ -	\$ 10,557,463