

Siloam Health

Consolidated Financial Statements
For the Year Ended June 30, 2022

Siloam Health
Consolidated Financial Statements
For the Year Ended June 30, 2022

Contents

Independent Auditor's Report	1
Financial Statements	
Consolidated Statement of Financial Position	3
Consolidated Statement of Activities	4
Consolidated Statement of Functional Expenses	5
Consolidated Statement of Cash Flows	6
Notes to Consolidated Financial Statements	7 - 14



Independent Auditor's Report

Board of Directors
Siloam Health

Opinion

We have audited the consolidated financial statements of Siloam health and its subsidiaries, (the Organization), a not-for-profit organization, which comprise the consolidated statement of financial position as of June 30, 2022, the related consolidated statements of activities, functional expenses, and cash flows for the year 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 June 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit 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 audit. 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.

Blankenship CPA Group, PLLC

Blankenship CPA Group, PLLC
Nashville, Tennessee
November 7, 2022

Siloam Health
Consolidated Statement of Financial Position
June 30, 2022

Assets

Current assets	
Cash and cash equivalents	\$ 3,977,406
Accounts receivable	567,724
Unconditional promises to give - current, net	692,554
Inventory	22,084
Prepaid expenses	110,515
Total current assets	<u>5,370,283</u>
Unconditional promises to give - noncurrent	151,583
Investments	
Cash and cash equivalents held by investment firm	13,727
Securities at fair value	2,180,152
Cash and cash equivalents whose use is limited	1,730,717
Property and equipment, net	2,017,347
Total assets	\$ 11,463,809

Liabilities and Net Assets

Current liabilities	
Accounts payable and accrued expenses	\$ 275,581
Accrued compensated absences	178,347
Total current liabilities	<u>453,928</u>
Net assets	
Without donor restrictions	
Undesignated	6,033,364
Board-designated	2,193,879
Total without donor restrictions	<u>8,227,243</u>
With donor restrictions	2,782,638
Total net assets	<u>11,009,881</u>
Total liabilities and net assets	\$ 11,463,809

Siloam Health
Consolidated Statement of Activities
For the Year Ended June 30, 2022

	Without donor restrictions	With donor restrictions	Total
Public Support and Revenues			
Contributions of cash and other financial assets	\$ 3,182,291	\$ 458,570	\$ 3,640,861
Contributions of nonfinancial assets	869,713	-	869,713
Service contracts	1,854,123	-	1,854,123
Patient fees	764,349	-	764,349
Investment income (loss), net	(191,973)	-	(191,973)
Interest income	13,125	-	13,125
Net assets released from restrictions	1,188,653	(1,188,653)	-
Total support and revenues	7,680,281	(730,083)	6,950,198
Expenses			
Program services	5,549,158	-	5,549,158
Management and general	435,886	-	435,886
Fundraising	926,932	-	926,932
Total expenses	6,911,976	-	6,911,976
Change in net assets	768,305	(730,083)	38,222
Net assets, beginning of year	7,458,938	3,512,721	10,971,659
Net assets, end of year	\$ 8,227,243	\$ 2,782,638	\$ 11,009,881

Siloam Health
Consolidated Statement of Functional Expenses
For the Year Ended June 30, 2022

	Program services	Supporting Services		Total
		Management and general	Fundraising	
Salaries	\$ 2,774,588	\$ 250,546	\$ 551,322	\$ 3,576,456
Payroll taxes	205,123	18,277	40,132	263,532
Employee benefits	398,671	67,824	81,045	547,540
Accounting	8,704	14,412	-	23,116
Communications	1,038	354	84,608	86,000
Contracted services	65,120	300	53,491	118,911
Depreciation	155,314	6,967	7,135	169,416
Development	-	-	56,541	56,541
Donated patient care	854,140	13,950	1,623	869,713
Dues and licenses	12,583	4,043	5,336	21,962
Facilities	124,501	3,009	3,082	130,592
Insurance	36,902	6,271	1,943	45,116
Interpreter services	93,928	-	-	93,928
Lab fees	244,176	-	-	244,176
Medical and lab supplies	340,676	-	-	340,676
Meeting, workshop, and travel	13,878	38,948	3,237	56,063
Office expense	27,896	466	724	29,086
Technology costs	142,748	7,840	15,151	165,739
Telephone	6,938	-	-	6,938
Utilities	32,904	1,262	1,292	35,458
Volunteer development	3,879	-	-	3,879
Contingencies and miscellaneous	5,451	1,417	20,270	27,138
	\$ 5,549,158	\$ 435,886	\$ 926,932	\$ 6,911,976

Siloam Health
Consolidated Statement of Cash Flows
For the Year Ended June 30, 2022

Cash and cash equivalents, beginning of year	\$ 5,175,284
Cash flows from operating activities	
Change in net assets	38,222
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Depreciation	169,416
Net realized and unrealized (gains) losses on investments	232,436
Contributions restricted for long-term purposes	(382,950)
Change in:	
Accounts receivable	(367,282)
Unconditional promises to give, net	152,884
Inventory	(11,804)
Prepaid expenses	(64,785)
Accounts payable and accrued expenses	178,700
Accrued compensated absences	(6,935)
Net cash provided (used) by operating activities	(62,098)
Cash flows from investing activities	
Proceeds from sale of securities	338,812
Purchases of securities	(473,619)
Purchases of property and equipment	(40,531)
Net cash provided (used) by investing activities	(175,338)
Cash flows from financing activities	
Capital campaign contributions received	784,002
Net change in cash and cash equivalents	546,566
Cash and cash equivalents, end of year	\$ 5,721,850
Reconciliation to the consolidated statement of financial position	
Cash and cash equivalents	\$ 3,977,406
Cash and cash equivalents whose use is limited	1,730,717
Cash and cash equivalents held by investment firm	13,727
	\$ 5,721,850

Siloam Health
Notes to Consolidated Financial Statements
For the Year Ended June 30, 2022

Note 1. Nature of Activities

Siloam Health, including its wholly owned subsidiaries (collectively, the Organization) is a faith-based, nonprofit organization that provides affordable, high quality, whole-person health care to the uninsured and underserved in Middle Tennessee as well as health promotion among Nashville's immigrant and refugee populations. Through the Organization's comprehensive medical care and community health programs, the Organization addresses not only the physical health of the people they serve, but their spiritual, emotional, and mental health as well. The Organization also offers mentorship to the next generation of health care providers through its student education initiatives. The Organization's mission is to share the love of Christ by serving those in need through health care.

Note 2. Summary of Significant Accounting Policies

Accounting Principles

The Organization's consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP). The Financial Accounting Standards Board (FASB) has established the Accounting Standards Codification (ASC) as the sole source of authoritative US GAAP.

Principles of Consolidation

The consolidated financial statements include the accounts of Siloam Health and its wholly owned subsidiaries, Siloam Health Services, LLC and Siloam Health Clinics, LLC. All significant intercompany balances and transactions have been eliminated in consolidation.

Basis of Presentation

The Organization reports information regarding its financial position and activities according to two classes of net assets based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported 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 its Board of Directors.

Net assets with donor restrictions – Net assets subject to stipulations imposed by donors. 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. None of the Organization's net assets with donor restrictions are required to be held in perpetuity by the donors at June 30, 2022.

Use of Estimates

The preparation of consolidated financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

Siloam Health
Notes to Consolidated Financial Statements
For the Year Ended June 30, 2022

Note 2. Summary of Significant Accounting Policies

Revenue Recognition

Contributions of Cash and Other Financial Assets

Contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as increases to net assets with donor restrictions. When a restriction is fulfilled (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets are reclassified to net assets without donor restrictions and are reported in the statements of activities as net assets released from restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, the support is reported as increases to net assets without donor restrictions.

Contributions of Nonfinancial Assets

Contributed services are reflected in the 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.

Service Contracts

The Organization has contracts with the state of Tennessee and Catholic Charities of Tennessee, Inc. to perform health care related services, which are reimbursed at agreed upon contractual rates. Such revenue is included in service contracts revenue in the consolidated statement of activities. Revenue is recognized at a point in time as the services are performed and when collectability is reasonably assured.

The Organization recognizes revenues from service contracts related to the state of Tennessee and Catholic Charities of Tennessee, Inc. at the time services are performed based on fees approved under such agreements.

Net receivables from service contracts totaled \$542,744 at year-end.

Patient Fees

The Organization operates two health clinics in the Melrose and Antioch areas of Nashville. Such revenue is included in patient fees revenue in the consolidated statement of activities. Revenue is recognized at a point in time as the patient receives the benefit of the Organization's services and when collectability is reasonably assured.

Patient services are provided by the Organization at fees based on a sliding scale tied to the federal poverty level. However, no patient is turned away due to inability to pay. Since the Organization does not pursue collection of patient fees, they are recognized as revenue only when received.

Performance Obligations

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer and is the unit of account under ASC 606. The transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied. The Organization's contracts with customers do not typically include multiple performance obligations.

Siloam Health
Notes to Consolidated Financial Statements
For the Year Ended June 30, 2022

Note 2. Summary of Significant Accounting Policies

Revenue Recognition

Variable Consideration/Payment Terms

The Organization's contracts with customers do not result in variable consideration or contract modifications. The Organization's payment terms vary based on the procedure performed and the sliding scale rate. The time between invoicing and when payment is due is not significant. The Organization's contracts with customers do not generally result in significant obligations associated with returns, refunds, or warranties.

Disaggregation of Revenue

The consolidated statement of activities depicts the disaggregation of revenue by service for the year. This is consistent with how the Organization evaluates financial performance.

Cash and Cash Equivalents

Cash equivalents consist of short-term money market accounts with original maturities of 90 days or less and not invested as part of the investment fund. These amounts are carried at cost, which approximate fair value. Cash and cash equivalents that are part of the investment fund are shown within investments as those resources are not used for daily operating purposes.

Cash and cash equivalents whose use is limited represents funds received and restricted for purposes of general expansion and the opening of an additional satellite location.

Accounts Receivable

Accounts receivable consist of amounts due under service contracts and other receivables. Management considers all accounts collectible and, therefore, an allowance for doubtful accounts has not been recognized in the consolidated financial statements.

Promises to Give

Unconditional promises to give are recognized as revenues in the period received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Inventory

Inventory represents purchased pharmaceuticals held for use and is stated at the lower of cost or net realizable value. Cost is determined on a first-in, first-out method.

Investments

The Organization's investment securities are recorded at fair value if donated and at cost if purchased and adjusted annually to fair value. Realized gains and losses on sales of securities are recognized on the trade date using the specific identification method. Market values are determined based on quoted prices and significant other observable inputs. Realized and unrealized investment earnings are included in investment income on the consolidated statements of activities.

Interest income is recognized as earned. Dividends are recognized on the ex-dividend date.

Siloam Health
Notes to Consolidated Financial Statements
For the Year Ended June 30, 2022

Note 2. Summary of Significant Accounting Policies

Property and Equipment

Property and equipment are stated at cost, or fair value at date of donation if contributed, less accumulated depreciation. Expenditures for repairs and maintenance are charged to expense as incurred and additions and improvements that significantly extend the lives of assets are capitalized. Upon the sale or other retirement of depreciable property, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is reflected in operations.

Depreciation is provided using the straight-line method over the estimated useful lives of the depreciable assets.

Income Taxes

The Organization is exempt from income tax under Internal Revenue Code (IRC) section 501(c)(3), though it is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the IRC. The Organization has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; to determine its filing and tax obligations in jurisdictions for which it has nexus; and to identify and evaluate other matters that may be considered tax positions. The Organization has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements.

Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. US GAAP establishes a fair value hierarchy as described below:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 – Inputs other than quoted prices with Level 1 that are observable for the asset or liability, either directly or indirectly through corroboration with observable data.

Level 3 – Inputs that are observable for the asset or liability and include situations where there is little, if any, market activity for the asset or liability. These inputs into the determination of value are based upon the best information in the circumstances and may require significant management judgment or estimation.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The Organization's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

Functional Allocation of Expenses

The costs of providing program and other activities have been summarized on a functional basis in the consolidated statements of activities. While most costs have been directly assigned to a functional category, certain joint costs have been allocated among program services and supporting services benefited. Such allocations are determined by management on an equitable basis. Expenses that are allocated consist primarily of salaries and wages, which are allocated based on time and effort.

Siloam Health
Notes to Consolidated Financial Statements
For the Year Ended June 30, 2022

Note 2. Summary of Significant Accounting Policies

New Accounting Pronouncement

In September 2020, 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*. The ASU requires a not-for-profit entity to present contributed nonfinancial assets in the statement of activities as a line item separate from contributions of cash or other financial assets. It also requires additional qualitative and quantitative disclosures about contributed nonfinancial assets received, disaggregated by category.

Note 3. Liquidity and Availability

Financial assets available for general expenditure, that is, without donor restrictions or other restrictions limiting their use within one year of the consolidated statement of financial position comprise the following:

Financial assets	
Cash and cash equivalents	\$ 3,977,406
Cash and cash equivalents whose use is limited	1,730,717
Cash and cash equivalents held by investment firm	13,727
Accounts receivable	567,724
Unconditional promises to give, net	844,137
Investment securities at fair value	<u>2,180,152</u>
Total financial assets at year-end	9,313,863
Less amounts not available to be used within one year	
Net assets restricted for specific programs	(207,784)
Net assets restricted for time	(844,137)
Cash and cash equivalents whose use is limited	(1,730,717)
Board-designated net assets	<u>(2,193,879)</u>
Financial assets available to meet cash needs for general expenditures within one year	\$ 4,337,346

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing program service activities as well as the conduct of services undertaken to support those activities to be general expenditures.

Note 4. Accounts Receivable

Accounts receivable consist of the following:

Service contracts	\$ 542,744
Other	<u>24,980</u>
	\$ 567,724

As of year-end, receivables from two service contracts represented 96% of the Organization's total accounts receivable.

Siloam Health
Notes to Consolidated Financial Statements
For the Year Ended June 30, 2022

Note 5. Unconditional Promises to Give

Unconditional promises to give are as follows:

Less than one year	\$ 692,554
In one to five years	<u>151,583</u>
	\$ 844,137

Management determined that no allowance for uncollectible promises to give was necessary as of year-end.

The Organization began a capital campaign called "Comprehensive Campaign" 2020 to raise funds to finance an additional satellite location and general expansion. The total contributions pledged for the capital campaign for the year were \$382,950. Total pledged campaign contributions received for the year were \$784,002. As of year-end, the outstanding pledge balances totaled \$653,370, which are included in unconditional promises to give. Contributions received during the campaign and unused for the additional satellite location total \$1,730,717 and are presented as cash and cash equivalents whose use is limited.

Note 6. Investments and Board-designated Reserves Fund

The Organization's board-designated reserves investment policy centers on the preservation of its long-term real purchasing power while providing a relatively predictable and increasing stream of annual distributions when needed to supplement the financial needs of the Organization. The Organization targets a diverse asset allocation that places an emphasis on marketable equity and fixed income securities within prudent risk constraints. The fund is managed by an investment advisor and held by an investment firm.

The Organization's spending policy allows the Board to authorize disbursements up to 5% of the total value of the fund annually for the use in operating activities. No funds were disbursed from the fund during the year.

The board-designated reserves fund is summarized as follows:

Cash and cash equivalents	\$ 13,727
Common stock	1,361,696
Corporate bonds	734,178
Exchange traded funds	<u>84,278</u>
	\$ \$2,193,879

The changes in board-designated net assets for the year is summarized as follows:

Balance, beginning of year	\$ 2,385,852
Investment return	
Realized and unrealized gains (losses)	(232,436)
Dividend and interest income	58,081
Investment fees	<u>(17,618)</u>
	2,193,879
Appropriation for expenditure	<u>-</u>
Balance, end of year	\$ \$2,193,879

Siloam Health
Notes to Consolidated Financial Statements
For the Year Ended June 30, 2022

Note 7. Fair Value Measurements

The following table represents the Organization's fair value hierarchy for those assets measured at fair value on a recurring basis:

	Level 1	Level 2	Level 3	Total
Cash equivalents	\$ 13,727	\$ -	\$ -	\$ 13,727
Common stock	1,361,696	-	-	1,361,696
Corporate bonds	-	734,178	-	734,178
Exchange traded funds	<u>84,278</u>	<u>-</u>	<u>-</u>	<u>84,278</u>
Total assets at fair value	\$ 1,459,701	\$ 734,178	\$ -	\$ 2,193,879

The Organization uses the market approach to determine the fair value of investments measured using Level 2 inputs.

Note 8. Property and Equipment

Property and equipment consist of the following major classifications:

Land	\$ 291,560
Building	2,458,027
Furniture and equipment	999,849
Leasehold improvements	<u>299,643</u>
	4,049,079
Less: accumulated depreciation	<u>(2,031,732)</u>
	\$ 2,017,347

Note 9. Net Assets with Donor Restrictions

Net assets with donor restrictions consist of the following:

Building Maintenance Fund	\$ 162,316
Time restriction	844,137
Comprehensive Campaign	1,730,717
Community health services	44,996
Other	<u>472</u>
	\$ 2,782,638

Note 10. Pension Plan

The Organization has a Savings Incentive Match Plan for Employees (SIMPLE) pension plan covering substantially all full-time employees. During the year, the Organization matched employee contributions up to 3% of qualifying compensation. The Organization's contributions under this plan totaled \$70,335 for the year.

Siloam Health
Notes to Consolidated Financial Statements
For the Year Ended June 30, 2022

Note 11. Contributions of Nonfinancial Assets

A summary of contributions of nonfinancial assets received and included as contributions and expenses in the consolidated statements of activities is as follows:

Medical volunteer services	\$ 300,803
Medical services and supplies	<u>568,910</u>
	\$ 869,713

Unless otherwise noted, the Organization did not recognize any contributions of nonfinancial assets with donor imposed restrictions.

Contributed medical volunteer services comprise time spent by physicians, nurses, pharmacists, and medical support personnel to serve patients of the Organization. Contributed medical volunteer services are valued and reported at their estimated fair value based on current rates for similar medical personnel.

Contributed medical services and supplies represent goods and services including, but not limited to, hospital and laboratory testing and pharmaceutical supplies that were provided to the Organization at little or no cost to the Organization or to the patient. The contributed services and supplies are valued and reported at their estimated fair value in the consolidated financial statements based on current rates for similar services and supplies.

Note 12. Concentrations

The Organization maintains at various financial institutions cash and cash equivalent accounts which may at times exceed federally insured amounts and which may also exceed consolidated statements of financial position amounts due to outstanding checks. Cash in excess of federally insured limits totaled \$3,497,630 as of June 30, 2022. The Organization has not experienced any losses on such accounts and believes it is not exposed to any significant credit risks on cash.

Unconditional promises to give from three donors represented approximately 38% of the balance outstanding at June 30, 2022.

Note 13. Operating Lease

The Organization has entered into a non-cancellable operating lease agreement for certain clinic space that expires February 28, 2023. Rent expense totaled \$42,600 for the year. The future minimum lease payments under the lease arrangement total \$28,400 for the year ended June 30, 2023.

Note 14. Subsequent Events

Management has evaluated subsequent events through November 7, 2022, the date on which the financial statements were available for issuance.