INTERFAITH DENTAL CLINIC OF NASHVILLE AND AFFILIATE

CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION

As of and for the Year Ended June 30, 2019

And Report of Independent Auditor

Cherry Bekaert LLP
CPAs & Advisors

INTERFAITH DENTAL CLINIC OF NASHVILLE AND AFFILIATE

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Cherry Bekaert LLP
CPAs & Advisors

Report of Independent Auditor

To the Board of Directors
Interfaith Dental Clinic of Nashville and Affiliate
Nashville, Tennessee

We have audited the accompanying consolidated financial statements of Interfaith Dental Clinic of Nashville and Affiliate (a nonprofit organization), which comprise the consolidated statement of financial position as of June 30, 2019, and 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.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Interfaith Dental Clinic of Nashville and Affiliate as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Supplemental Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information on pages 19 and 20 is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations, and cash flows of the individual organizations, and it is not a required part of the consolidated 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 consolidated financial statements. The consolidating statements have been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Changes in Financial Statement Presentation

As discussed in Note 1, Interfaith Dental Clinic of Nashville and Affiliate adopted Accounting Standards Update ("ASU") 2016-14, *Not-for-Profit Entities* (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Cherry Bekaert LLP

Nashville, Tennessee
October 21, 2019

INTERFAITH DENTAL CLINIC OF NASHVILLE AND AFFILIATE

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

JUNE 30, 2019

ASSETS		
Current Assets:		
Cash and cash equivalents	$	231,954
Restricted cash (Note 18)		244,033
Investments		320,628
Pledges receivable, net		134,766
Accounts receivable, net		605,600
Unbilled revenue		28,934
Prepaid expenses		11,731
Total Current Assets		1,577,646
Noncurrent Assets:		
Property and equipment, net		7,910,688
Pledges receivable, net		34,695
Other		17,758
Beneficial interest in agency endowment fund held by the Community Foundation of Middle Tennessee		15,372
New market tax credit note receivable (Note 18)		4,911,400
Total Noncurrent Assets		12,889,913
Total Assets	$	14,467,559
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable and accrued expenses	$	529,258
Interest payable		18,262
Patient credits		40,242
Total Current Liabilities		587,762
Long-Term Liabilities:		
Line of credit		77,234
New market tax credit debt, net of $333,004 unamortized debt issuance costs (Note 18)		6,566,996
Total Long-term Liabilities		6,644,230
Total Liabilities		7,231,992
Net Assets:		
Without Donor Restriction:		
Undesignated		6,684,516
Board-designated		339,426
Total Without Donor Restriction		7,023,942
With Donor Restriction		211,625
Total Net Assets		7,235,567
Total Liabilities and Net Assets	$	14,467,559

INTERFAITH DENTAL CLINIC OF NASHVILLE AND AFFILIATE
CONSOLIDATED STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Public Support and Revenue:			
Patient fees	$ 740,648	$ -	$ 740,648
Patient fees - Smile on Sixty Plus	515,842	-	515,842
Education Center	4,158	-	4,158
Net unrealized and realized gains on investments	29,879	-	29,879
Rental income	81,400	-	81,400
Other income	5,731	-	5,731
Interest income	43,610	-	43,610
United Way	169,691	-	169,691
Grant contract revenue	1,929,816	-	1,929,816
Individual contributions	314,836	145,417	460,253
Foundation contributions	535,303	1,214,060	1,749,363
Corporate contributions	95,405	1,109,430	1,204,835
Special event revenue, net of cost of direct benefits to donors (Note 17)	297,652	-	297,652
Donated professional services	755,412	-	755,412
Donated supplies and equipment	137,484	-	137,484
Net assets released from restrictions	3,846,523	(3,846,523)	-
Total Public Support and Revenue	9,503,390	(1,377,616)	8,125,774
Expenses:			
Program Services:			
Dental services	4,744,316	-	4,744,316
Supporting Services:			
Management and general	645,605	-	645,605
Fundraising and special events	370,517	-	370,517
Total Expenses	5,760,438	-	5,760,438
Increase (decrease) in net assets	3,742,952	(1,377,616)	2,365,336
Net assets, beginning of year	3,280,990	1,589,241	4,870,231
Net assets, end of year	$ 7,023,942	$ 211,625	$ 7,235,567

INTERFAITH DENTAL CLINIC OF NASHVILLE AND AFFILIATE
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2019

	Program Services	Supporting Services		
	Dental Services	Management and General	Fundraising and Special Events	Total
Salaries	$ 1,633,103	$ 438,381	$ 259,324	$ 2,330,808
Payroll taxes and benefits	285,326	67,334	41,623	394,283
Total payroll and related expenses	1,918,429	505,715	300,947	2,725,091
Contracted fees and professional services	836,880	73,998	-	910,878
In-kind expense	786,158	2,020	208	788,386
Occupancy	230,698	14,789	9,808	255,295
Depreciation and amortization	221,914	6,092	4,400	232,406
Dental lab	193,796	-	-	193,796
Dental supplies	181,769	-	-	181,769
Computer support, upgrades, and repairs	111,284	3,160	2,926	117,370
Interest	60,027	1,345	805	62,177
Insurance	40,810	3,435	1,542	45,787
Dues and licenses	25,460	4,748	12,049	42,257
Communication	32,010	4,426	2,367	38,803
Continuing education, travel, volunteer, and employee recognition	23,733	2,453	4,491	30,677
Travel	22,805	2,838	3,250	28,893
Fundraising	-	-	20,722	20,722
Printing and postage	10,290	2,236	5,662	18,188
Dental equipment, repairs, and maintenance	18,088	-	-	18,088
Compliance fees	1,380	12,500	-	13,880
Other operating expenses	7,894	-	-	7,894
Payroll processing fees	7,629	927	720	9,276
Office supplies	6,187	752	585	7,524
Advertising	2,650	4,051	35	6,736
Contract labor	2,175	120	-	2,295
Miscellaneous	2,250	-	-	2,250
	$ 4,744,316	$ 645,605	$ 370,517	$ 5,760,438

INTERFAITH DENTAL CLINIC OF NASHVILLE AND AFFILIATE
CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2019

Cash flows from operating activities:	
Change in net assets	$ 2,365,336
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	232,406
Gain on sale of property and equipment	1,558
Net unrealized and realized gains on investments	(29,879)
Changes in operating assets and liabilities:	
Pledges receivable, net	294,593
Accounts receivable, net	(527,638)
Prepaid expenses	1,732
Security deposit	(16,156)
Beneficial interest in agency endowment fund	(756)
Accounts payable and accrued expenses	169,179
Patient credits	(16,171)
Deferred revenue	(72,844)
Unbilled revenue	(28,934)
Interest payable	18,262
Net cash provided by operating activities	2,390,688
Cash flows from investing activities:	
Purchase of investments	(131,542)
Proceeds from sale of investments	146,690
Purchase of property and equipment	(4,996,561)
Issuance of notes receivable	(4,911,400)
Net cash used in investing activities	(9,892,813)
Cash flows from financing activities:	
Proceeds from new market tax credit debt	6,900,000
Proceeds from borrowings on notes payable	1,703,000
Principal payments on notes payable	(1,703,000)
Payments of debt issuance costs	(370,494)
Proceeds from borrowings on line of credit	929,000
Principal payments on line of credit	(851,766)
Net cash provided by financing activities	6,606,740
Net decrease in cash and cash equivalents and restricted cash	(895,385)
Cash and cash equivalents and restricted cash, beginning of year	1,371,372
Cash and cash equivalents and restricted cash, end of year	$ 475,987
Supplemental disclosure of cash flow information:	
Cash paid for interest	$ 62,177
Noncash donation of equipment	$ 104,510

The accompanying notes to the financial statements are an integral part of these statements.

Note 1—Summary of significant accounting policies

Nature of Activities and Program Description – Interfaith Dental Clinic of Nashville ("IDC") is a Tennessee nonprofit organization dedicated to providing affordable dental care to uninsured working poor families and those over age 65 by providing access to affordable quality dental care, oral disease prevention services, and oral health education. IDC serves patients in ten Middle Tennessee counties.

IDC established the Interfaith Dental Supporting Foundation ("IDSF") on August 27, 2018 solely to support the charitable purposes, mission, goals, and activities of IDC, its sole member. As such, IDSF's activities include constructing IDC's new headquarters and servicing certain notes payable for the benefit of IDC (see Note 18).

Principles of Consolidation – The accompanying consolidated financial statements include those of the IDC and IDSF (collectively referred to hereafter as the "Organization"). The Organization has been consolidated due to the presence of common control and economic interest as required by accounting principles generally accepted in the United States of America ("U.S. GAAP"). All significant inter-entity balances and transactions have been eliminated in consolidation.

Education Center – The Organization's education center was developed to provide continuing education and technical training for dental professionals that seek to grow their proficiency in many areas through hands-on experiences. The programs include training in understanding the culture of poverty, experiences in cross-culture settings, and individualized behavioral health.

Basis of Presentation – The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with U.S. GAAP. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restriction – 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. The Organization has chosen to provide further classification information about net assets without donor restrictions on the consolidated statement of financial position. The sub-classifications are as follows:

> *Undesignated* – Net assets that represents the cumulative net assets without donor restrictions excluding those net assets designated for specific activities by the Board of Directors.
>
> *Board-Designated* – The governing board has designated, from net assets without donor restrictions, net assets for a board-designated clinic emergency and building maintenance fund, and for a Graham Memorial fund (see Note 8).

Net Assets With Donor Restrictions – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, net assets with donor restriction are reclassified to net assets without donor restriction and reported in the consolidated statements of activities as net assets released from restrictions. 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.

Cash and Cash Equivalents – For the purposes of the statement of cash flows, the Organization considers all unrestricted cash and investment instruments purchased with an original, maturity date of 90 days or less from the date of issuance to be a cash equivalent.

Note 1—Summary of significant accounting policies (continued)

Investments – Investments in equity securities with readily determinable fair values, mutual funds, and all investments in debt securities are reported at their fair values in the statement of financial position. The fair values of these investments are based on quoted market prices. Donated securities are recognized at the fair value on the date of the contribution. All interest, dividends, and unrealized gains and losses are reported in the statement of activities as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulations or by law.

Agency Endowment Fund – The Organization's beneficial interest in an agency endowment fund held by the Community Foundation of Middle Tennessee is recognized as an asset. Investment income and changes in the value are recognized in the consolidated statement of activities. Distributions received from the fund are recorded as decreases in the beneficial interest. The beneficial interest is included in net assets with donor restrictions on the consolidated statement of financial position.

Pledges Receivable – Pledges receivable are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restriction if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restriction. When a restriction expires, net assets with donor restriction are reclassified to net assets without donor restriction.

Pledges due in the next year are reflected as current pledges receivable and are recorded at their net realizable value. Pledges due in subsequent years are reflected as noncurrent pledges receivable and are recorded at the present value of their net realizable value, using a rate commensurate with the risk of the promise to give in accordance with U.S. GAAP. An allowance for uncollectible pledges is provided based on management's evaluation of potential uncollectible pledges receivable at year-end.

The Organization uses the allowance method to determine uncollectible unconditional pledges receivable. The allowance is based on prior years' experience and the Organization's analysis of specific promises made. An allowance for uncollectible pledges totaled $28,500 as of June 30, 2019 (see Note 4).

Accounts Receivable – Accounts receivable are due from patients, third-party payers, and government grants. Third-party payer receivables are generally collected within industry norms. Collections are continuously monitored and an allowance for estimated uncollectible receivables is maintained based upon historical experience and specifically identified payer collection issues. The allowance for uncollectible receivables totaled $8,599 as of June 30, 2019 (see Note 3).

Property and Equipment – Property and equipment is recorded at cost, or if donated, at the estimated fair market value at the date of donation. If equipment is donated, the donor can stipulate how long the assets must be used, and the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support. The Organization's capitalization policy is to capitalize any expenditure over $5,000 for property and equipment. Depreciation is provided utilizing the straight-line method over the estimated useful lives of the respective assets. Expenditures for repairs and maintenance are charged to expense as incurred.

Contributions – Contributions are recognized when received as contributions without restriction if specified for the current period and there are no donor-imposed restrictions. Contributions specified for future periods or with donor-imposed restrictions are recognized in the period received as contributions with restrictions. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions are satisfied in the year in which the contributions are recognized.

Note 1—Summary of significant accounting policies (continued)

In-Kind Contributions – The Organization receives various types of in-kind support including supplies, equipment, and professional services. Contributed professional services are recognized if the services received (a) create or enhance non-financial assets or (b) require specialized skills provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributed professional dental services are recorded at their fair values in the period received. These services meet the requirements for recognition in the consolidated financial statements and have been recorded or reflected in the accompanying consolidated financial statements (see Note 12).

Patient Fees – Fees are charged to the patients on a sliding scale based on their ability to pay according to the Federal Poverty Guidelines for Tennessee. The market value for services performed during the year ended June 30, 2019 was $6,723,252. The discount between market value and patient fees recognized fluctuates with patient mix. The majority of patients are charged 20% of market value.

Grant Contract – The Tennessee Commission on Aging and Disability awarded a grant contract to IDC effective April 16, 2018 and ending October 15, 2021. The grant is to assist seniors in Tennessee with funds not to exceed $12,500,000 provided by the Senior Trust/Elder Trust settlement case no. 11-1548-111. Under the terms of the grant, IDC and seventeen partnering clinics are reimbursed for qualifying expenses incurred to assist seniors. IDC submits all of the clinics qualifying monthly expenses, receives payments for expenses submitted, and forwards reimbursement to the partnering clinics for their respective expenses incurred. Payments received from the state are recorded as grant revenue and expenses remitted to the partnering clinics are recorded as contracted fees on the respective consolidated statement of activities and consolidated statement of functional expenses. IDC also receives an overhead administration fee totaling 8% of total expenses incurred and this is included in government grant revenue. Grant revenue recognized to date for years ended June 30, 2019 and 2018 totaled $1,929,816 and $765,949, respectively. In no event shall the state of Tennessee have any liability under this contract.

Compensated Absences – Full-time employees are defined as those working 30 hours or more per week. Vacation pay is calculated based on each employee's regularly scheduled hours per week and is granted based upon each employee's employment contract.

Allocation of Functional Expenses – Expenses that can be directly attributed to a particular function are charged to that function. Accordingly, certain costs have been categorized based on specific identification of costs incurred or allocated as determined by management.

The expenses that are allocated include the following:

Expense	Method of Allocation
Payroll and related expenses	Time and effort
Depreciation and amortization	Square footage
Occupancy	Square footage
Interest	Square footage
Insurance	Time and effort
Communication	Time and effort
Payroll processing fees	Time and effort
Office supplies	Time and effort

Note 1—Summary of significant accounting policies (continued)

Use of Estimates – The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements. Actual results could differ from those estimates.

Advertising – Advertising costs are expensed as incurred. Advertising expense totaled $6,736 for the year ended June 30, 2019.

Subsequent Events – The Organization evaluated subsequent events through October 21, 2019, when these consolidated financial statements were available to be issued.

New Accounting Pronouncement – On August 18, 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-14, *Not-for-Profit Entities* (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities.* The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adopted these new accounting requirements prospectively as allowed under the provisions of ASU 2016-14.

Accounting Policies for Future Pronouncements – In May 2014, the FASB issued ASU 2014-09. The amendments in this update create Topic 606, *Revenue from Contracts with Customers*, and supersedes the revenue recognition requirements in Topic 605, *Revenue Recognition*, including most industry-specific revenue recognition guidance throughout the Industry Topics of the Codification. This guidance is effective for the year ending June 30, 2020. Management is currently evaluating the impact of this standard on the Organization's consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases*. This guidance introduces a lessee model that requires substantially all leases to be capitalized on the statement of financial position. This guidance is effective for the year ending June 30, 2021. Management is currently evaluating the impact of this standard on the Organization's consolidated financial statements.

In January 2016, the FASB issued ASU 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities.* This guidance revises accounting related to (1) the classification and measurement of investments in equity securities and (2) the presentation of certain fair value changes for financial liabilities measured at fair value. It also amends certain disclosure requirements associated with the fair value of financial instruments. This guidance is effective for the year ending June 30, 2021. Management is currently evaluating the impact of this standard on the Organization's consolidated financial statements.

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made.* The amendments in this ASU will assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, *Not-for-Profit Entities*, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. This guidance is effective for the year ending June 30, 2020. Management is currently evaluating the impact of this standard on the Organization's consolidated financial statements.

Income Taxes – The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and is not a private foundation. Accordingly, no provision for income taxes has been made.

Note 2—Liquidity and availability of resources

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 activities of providing affordable dental care to uninsured working poor families and those over age 65 to be general expenditures.

As part of the Organization's liquidity management, it structures financial assets to be available as its general expenditures, liabilities, and other obligations become due. Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position, comprise the following at June 30, 2019:

Financial assets at year-end		
Cash and cash equivalents	$	475,987
Pledges receivable, net		134,766
Investments		320,628
Accounts receivable, net		605,600
Total financial assets		1,536,981
Less amounts not available to be used for general expenditures within one year at June 30, 2019:		
Board-designated Clinic emergency and building maintenance fund		240,895
Board-designated Graham Memorial fund		98,531
Net assets with donor restrictions (Note 9)		211,625
Cash restricted for payments related to new market tax credit debt		244,033
Financial assets available to meet general expenditures within one year	$	741,897

Note 3—Accounts receivable

Accounts receivable consisted of the following at June 30, 2019:

Patient accounts receivable	$	16,170
Government grant receivables		585,621
Other		12,408
		614,199
Less allowance for doubtful accounts		(8,599)
	$	605,600

Note 4—Pledges receivable

Pledges receivable consisted of the following at June 30, 2019:

Due in less than one year	$	153,832
Due in one to five years		52,636
		206,468
Less discounts to net present value		(8,507)
Less allowance for doubtful accounts		(28,500)
Net pledges receivable	$	169,461

Gross contributions have been discounted to account for the time value of money using discount rates ranging from 2.61% to 6%. The rates were determined using the interest method after an allowance had been established.

Note 5—Investments

The Organization follows the *Fair Value Measurement* topic of the FASB ASC, which establishes a framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 – Inputs to the valuation methodology include the following:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The Organization's fixed income securities and equities are valued at the closing price reported on the active market on which the individual securities are traded. There have been no changes in the methodologies used at June 30, 2019.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Note 5—Investments (continued)

The following table sets forth by level, within the fair value hierarchy, the Organization's investments at fair value as of June 30, 2019:

	Level 1	Level 2	Level 3	Total
Stocks	$ 320,628	$ -	$ -	$ 320,628
Beneficial interest in agency Endowment fund held by The Community Foundation of Middle Tennessee	15,372	-	-	15,372
	$ 336,000	$ -	$ -	$ 336,000

At June 30, 2019, interest and dividends earned from these investments totaled $9,476. Net unrealized and realized gains on investments amounted to $20,403 for June 30, 2019.

The Organization holds investments contributed to the 1998 Building Reserve Fund and the Graham Memorial Fund in various equity securities and cash. Investments consisted of the following at June 30, 2019:

Reserve Fund	
Cash/Money Market Accounts	$ 13,729
Stocks	227,166
	$ 240,895

Graham Memorial Fund	
Cash/Money Market Accounts	$ 5,069
Stocks	93,462
	$ 98,531

Note 6—Property and equipment

Property and equipment consisted of the following at June 30, 2019:

Land	$ 446,150
Buildings and improvements	6,787,853
Dental equipment	1,670,091
Office equipment and software	424,504
	9,328,598
Less accumulated depreciation	(1,417,910)
Property and equipment, net	$ 7,910,688

Note 7—Line of credit and notes payable

At June 30, 2019, the Organization had outstanding borrowings totaling $77,234 on a line of credit with a credit limit of $450,000. The line of credit is secured with all of the Organization's business assets and has an interest rate at the bank's prime rate plus .50% (6% at June 30, 2019). Interest is payable monthly, and the full balance is payable in one payment of all outstanding principal plus accrued unpaid interest on February 13, 2022.

During the year ended June 30, 2019, the Organization borrowed a total of $1,703,000 from two separate promissory notes payable to a financial institution. As of June 30, 2019, the amounts borrowed plus interest earned were paid in full.

Note 8—Board-designated net assets

Board-designated net assets are available for the following purposes:

Clinic Emergency and Building Maintenance – This account is intended to provide funds necessary for emergency building maintenance beyond what is budgeted in our fiscal budget. It is also intended to serve as potential seed money for the establishment of an endowment account.

Graham Memorial Fund – This fund is for the specific purpose of offsetting the cost of care for those patients who are unable to meet the 20% pay requirement, ensuring the proceeds are used directly for patient care. On the first day of the month of the last month of the quarter, a rolling 5% will be calculated and sent to the clinic and deposited into the operating account before the last day of the quarter.

A summary of board-designated net assets at June 30, 2019 is as follows:

Clinic emergency and building maintenance	$ 240,895
Graham Memorial Fund	98,531
	$ 339,426

Note 9—Net assets with donor restrictions

Net assets with donor restrictions consisted of the following at June 30, 2019:

Capital campaign building funds	$ 26,792
Beneficial interest in agency endowment fund held by the Community Foundation of Middle Tennessee (see Note 10)	15,372
Pledges receivable, net	169,461
	$ 211,625

Note 10—Beneficial interest in agency endowment fund

During the year ended June 30, 2002, the Organization transferred $5,000 to the Community Foundation of Middle Tennessee ("Community Foundation") under an agency endowment fund. It is the hope of the Organization that other individuals will contribute to the fund. The Organization has granted variance power to the Community Foundation, and the Community Foundation has ultimate authority and control over the fund and the income derived therefrom; therefore, all gains and losses are reflected as net assets with donor restrictions. The Organization retains a beneficial interest in the endowment fund held by the Community Foundation.

Upon request by the Organization, income from the fund representing an annual return may be distributed to the Organization or to another suggested beneficiary subject to the approval of the Community Foundation. The fund is charged a .4% administrative fee annually on the principal.

A schedule of the changes in the Organization's beneficial interest in this fund is as follows for the year ended June 30, 2019:

Beneficial interest, beginning of year	$ 14,616
Change in value of beneficial interest:	
Realized gain	223
Unrealized gain	390
Interest and dividends	238
Investment fees	(36)
Administrative expense	(59)
	756
Beneficial interest, end of year	$ 15,372

The beneficial interest held by the Community Foundation is permanently restricted and included in net assets with donor restrictions (see Note 9). See Note 5 for the fair value measurement of the balance.

Note 11—Net assets released from restrictions

Donor-restricted contributions which have been released to operations due to the satisfaction of the restriction consist of the following for the year ended June 30, 2019:

Payments received on pledges	$ (1,308,051)
Decrease in discount for time value of money	(6,363)
Increase in pledge allowance	1,022
Released for satisfaction of donor restrictions	(2,533,131)
	$ (3,846,523)

Note 12—Contributed 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 is as follows for the year ended June 30, 2019:

Revenues:		
Donated professional services	$	755,412
Donated supplies		27,974
Donated equipment		109,510
	$	892,896
Expenses:		
Donated professional services	$	755,412
Donated supplies		27,974
Donated equipment		5,000
	$	788,386
Assets:		
Donated equipment, capitalized	$	104,510

Note 13—Leases

During October 2017, the Organization entered into an operating lease for clinic and office space. The lease agreement was terminated with the final payment in December 2018, when the Organization moved its Nashville operations to the new building located at 600 Hill Avenue. Rent expense recorded under this lease was approximately $95,000 for the year ended June 30, 2019. Effective January 1, 2019, IDC began leasing the new building from IDSF. The intercompany rental income and expense totaling approximately $32,000 was eliminated in consolidation for the year ended June 30, 2019.

During January 2019, IDC began leasing equipment from IDSF. The monthly base rent is $1,250. The intercompany rental income and expense totaling $7,500 is eliminated in consolidation for the year ended June 30, 2019.

Note 14—Concentrations of credit risk

At times, the Organization maintains cash and investments in amounts in excess of federally insured limits. Amounts in excess of federally insured limits at June 30, 2019 totaled $23,261. In management's opinion, risk relating to such deposits is minimal based on the credit rating of its depositories.

As of June 30, 2019, 40% of the Organization's total individual, foundation, and corporate contributions were received from two donors. These contributions were restricted by the donors for the construction of the Organization's headquarters (see Note 18).

Note 15—Employee benefit plan

The Organization has a 401(k) retirement plan for all eligible employees. Employees age 21 or older become eligible to participate in the plan after one year of continuous service. The plan allows participants to contribute annually a portion of their earnings up to the maximum amount allowable under the Internal Revenue Code.

The Organization matches the first 3% of the participant's salary dollar for dollar and 50 cents on the dollar on the next 2% of the salary, totaling to a maximum of 4%. Participants must contribute 5% of their annual salary to get the full 4% match. Total matching contributions for the year ended June 30, 2019 were $54,731.

The Organization may also make discretionary contributions to the retirement plan. For the year ended June 30, 2019, no discretionary contributions were made.

Note 16—Related party

The Organization uses a property management association to manage the portion of the building that it owns at its Murfreesboro location. Two of the Organization's employees serve on the board of the management association as president and secretary treasurer. Amounts paid to the management association by the Organization for the year ended June 30, 2019 totaled $11,308.

The Organization participates in a two-member owner's association that maintains land and common elements adjacent to property it owns at 600 Hill Avenue. One of the Organization's employees serves on the board of the owner's association which was established in April 2018. Amounts paid to the owner's association by the Organization totaled $328,898 for the year ended June 30, 2019.

Note 17—Special events

During the year the Organization had fundraising events to help support operations. The following table below shows the amount raised less the cost of direct benefits to donors during the year ended June 30, 2019:

Gross receipts from special events	$ 372,848
Less cost of direct benefits to donors	(75,196)
	$ 297,652

Note 18—New Market Tax Credit Agreement

During October 2018, the Organization entered into a New Market Tax Credit ("NMTC") agreement to assist with the construction of its new headquarters. The Organization will realize a projected benefit in positive cash flow from federal incentives totaling approximately $2,238,000 (unaudited) for the NMTC financing transaction. All loans originated in the NMTC financing transaction are secured by substantially all assets and revenues of the Organization whether owned as of the date of the agreement or thereafter.

Note 18—New Market Tax Credit Agreement (continued)

In October 2018, IDSF entered into two debt agreements totaling $4,900,000 from Partnerships of Hope XXIII, LLC (a "community development financial institution"). The notes accrue interest at a fixed rate of 1.059% per annum, which is payable quarterly, in arrears, and with a final payment of all outstanding principal and unpaid accrued interest due at maturity in October 2048. Additionally, IDSF entered into two debt agreements totaling $2,000,000 from ST CDE XLIV, LLC (a "community development institution"). The notes accrue interest at a fixed rate of 1.059% per annum, which is payable quarterly, in arrears, and with a final payment of all outstanding principal and unpaid accrued interest due at maturity in October 2048. Debt issuance costs relating to the notes totaled $370,494 with $37,490 being amortized during the year ended June 30, 2019. The notes contain certain nonfinancial covenants which require management's representation that the loans qualify as a "qualified low-income community investment" based on the ongoing activities of the Organization and its continuing mission.

Furthermore, IDC provided a loan of $4,911,400 to Interfaith Dental Nashville Investment Fund, LLC. The loan is evidenced by a promissory note receivable from Interfaith Dental Nashville Investment Fund, LLC, accruing interest at 1.0% per annum, and requiring quarterly payments of interest only through December 2025 at which point the loan will begin to amortize on a straight-line basis through maturity in October 2048.

As part of this transaction, IDSF is required to maintain two segregated loan reserve funds. The first reserve fund is used for payment of the servicing fee in compliance with the note payable and a portion of the interest expense payable to Partnerships of Hope XXIII, LLC. The initial deposit was $250,000 and will cover annual payments totaling approximately $12,500 for the compliance service fee payable on January 5 each year through 2025, at which point the fee will increase to $25,000. The reserve fund will also pay a portion of the interest expense in the amount of approximately $21,500 each year. IDSF will continue making such expense reimbursements even after the funds in the reserve account have been disbursed. The second reserve fund is used for payment of a portion of the interest expense payable to ST CDE XLIV, LLC. The initial deposit was $17,500 and will cover quarterly payments of $625 for the interest expense. The total amount of the restricted cash as of June 30, 2019 totaled approximately $244,000.

In October 2025, the bank that owns the unaffiliated investment structure may put its interest in the investments structure to IDSF for a put price of $1,000. If the bank does not exercise its put right, IDSF may call the bank's interest in the investment structure for a call price equal to the fair value of the investment. Exercise of the put or the call will provide IDSF with ownership of the investment structure.

SUPPLEMENTAL SCHEDULES

INTERFAITH DENTAL CLINIC OF NASHVILLE AND AFFILIATE

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

JUNE 30, 2019

	Interfaith Dental Clinic	Interfaith Dental Supporting Foundation	Eliminations	Consolidated
ASSETS				
Current Assets:				
Cash and cash equivalents	$ 138,630	$ 93,324	$ -	$ 231,954
Restricted cash	-	244,033	-	244,033
Investments	320,628	-	-	320,628
Pledges receivable, net	134,766	-	-	134,766
Accounts receivable, net	655,600	-	(50,000)	605,600
Unbilled revenue	28,934	-	-	28,934
Prepaid expenses	11,731	-	-	11,731
Total Current Assets	1,290,289	337,357	(50,000)	1,577,646
Noncurrent Assets:				
Property and equipment, net	884,341	7,026,347	-	7,910,688
Pledges receivable, net	34,695	-	-	34,695
Other non-current assets	1,600	16,158	-	17,758
Beneficial interest in agency endowment fund held by the Community Foundation of Middle Tennessee	15,372	-	-	15,372
New market tax credit note receivable	4,911,400	-	-	4,911,400
Total Noncurrent Assets:	5,847,408	7,042,505	-	12,889,913
Total Assets	$ 7,137,697	$ 7,379,862	$ (50,000)	$ 14,467,559
LIABILITIES AND NET ASSETS				
Current Liabilities:				
Accounts payable and accrued expenses	$ 501,963	$ 77,295	$ (50,000)	$ 529,258
Interest payable	-	18,262	-	18,262
Patient credits	40,242	-	-	40,242
Total Current Liabilities	542,205	95,557	(50,000)	587,762
Long-Term Liabilities:				
Line of credit	77,234	-	-	77,234
New market tax credit debt, net of $333,004 unamoritzed debt issuance costs	-	6,566,996	-	6,566,996
Total Long-term Liabilities	77,234	6,566,996	-	6,644,230
Total Liabilities	619,439	6,662,553	(50,000)	7,231,992
Net Assets:				
Without Donor Restriction:				
Undesignated	5,967,207	717,309	-	6,684,516
Board-designated	339,426	-	-	339,426
Total Without Donor Restriction	6,306,633	717,309	-	7,023,942
With Donor Restriction	211,625	-	-	211,625
Total Net Assets	6,518,258	717,309	-	7,235,567
Total Liabilities and Net Assets	$ 7,137,697	$ 7,379,862	$ (50,000)	$ 14,467,559

INTERFAITH DENTAL CLINIC OF NASHVILLE AND AFFILIATE
CONSOLIDATING STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2019

	Interfaith Dental Clinic	Interfaith Dental Supporting Foundation	Eliminations	Consolidated
Public Support and Revenue:				
Patient fees	$ 740,648	$ -	$ -	$ 740,648
Patient fees - Smile on Sixty Plus	515,842	-	-	515,842
Education Center	4,158	-	-	4,158
Net unrealized and realized gains on investments	29,879	-	-	29,879
Rental income	-	120,094	(38,694)	81,400
Interest income	41,589	2,021	-	43,610
Other income	5,731	851,524	(851,524)	5,731
United Way	169,691	-	-	169,691
Grant contract revenue	1,929,816	-	-	1,929,816
Individual contributions	460,253	-	-	460,253
Foundation contributions	1,749,363	-	-	1,749,363
Corporate contributions	1,204,835	-	-	1,204,835
Special event revenue, net of cost of direct benefits to donors (Note 17)	297,652	-	-	297,652
Donated professional services	752,600	2,812	-	755,412
Donated supplies and equipment	49,974	87,510	-	137,484
Total Public Support and Revenue	7,952,031	1,063,961	(890,218)	8,125,774
Expenses:				
Program Services:				
Dental services	5,318,061	277,779	(851,524)	4,744,316
Supporting Services:				
Management and general	615,426	68,873	(38,694)	645,605
Fundraising and special events	370,517	-		370,517
Total Expenses	6,304,004	346,652	(890,218)	5,760,438
Increase in net assets	1,648,027	717,309	-	2,365,336
Net assets, beginning of year	4,870,231	-	-	4,870,231
Net assets, end of year	$ 6,518,258	$ 717,309	$ -	$ 7,235,567