

INTERFAITH DENTAL CLINIC OF NASHVILLE
Financial Statements
June 30, 2008 and 2007

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Independent Auditors' Report

To the Board of Directors of
Interfaith Dental Clinic of Nashville

We have audited the accompanying statements of financial position of Interfaith Dental Clinic of Nashville (a nonprofit organization) as of June 30, 2008 and 2007, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Interfaith Dental Clinic of Nashville as of June 30, 2008 and 2007, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

October 13, 2008

Parker, Parker & Associates

INTERFAITH DENTAL CLINIC OF NASHVILLE
Statements of Financial Position
June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Assets		
Current Assets		
Cash	\$ 222,005	\$ 282,136
Patient Accounts Receivable, Net of Allowance of \$20,819 in 2008 and \$22,347 in 2007	49,516	55,263
Capital Campaign Contributions Receivable	-	16,020
Government Grant Receivable	14,876	-
Other Contributions Receivable, Net of Allowance and Discount of \$8,908 in 2008 and \$205 in 2007	142,167	113,484
Prepaid Expenses	10,222	6,009
Total Current Assets	<u>438,786</u>	<u>472,912</u>
Property & Equipment		
Building	1,187,538	1,170,428
Dental Equipment	377,009	343,660
Office Equipment	42,743	37,948
Land	143,453	143,453
	<u>1,750,742</u>	<u>1,695,489</u>
Less: Accumulated Depreciation	<u>(477,441)</u>	<u>(404,468)</u>
Total Property & Equipment	<u>1,273,301</u>	<u>1,291,021</u>
Other Assets		
Restricted Cash and Investments	291,525	344,724
Beneficial Interest in Agency Endowment Fund Held by the Community Foundation of Middle Tennessee	8,002	8,322
Other Contributions Receivable, Net of Allowance and Discount of \$33,606 in 2008 and \$8,089 in 2007	200,113	107,162
Total Other Assets	<u>499,640</u>	<u>460,208</u>
Total Assets	<u><u>\$ 2,211,728</u></u>	<u><u>\$ 2,224,141</u></u>
Liabilities and Net Assets		
Current Liabilities		
Accounts Payable	\$ 15,375	\$ 23,858
Accrued Payroll & Related Taxes	38,708	48,357
Accrued Retirement Contributions	11,695	-
Patient Credits	7,145	3,377
Total Current Liabilities	<u>72,923</u>	<u>75,592</u>
Net Assets		
Unrestricted Net Assets		
Unrestricted	1,839,278	1,795,504
Board Designated for Beneficial Interest	8,002	8,322
Board Designated for Clinic Emergency and Building Maintenance	182,092	-
Board Designated for Graham Memorial Fund	109,433	120,036
Total Unrestricted Net Assets	<u>2,138,805</u>	<u>1,923,861</u>
Temporarily Restricted Net Assets	<u>-</u>	<u>224,688</u>
Total Net Assets	<u>2,138,805</u>	<u>2,148,549</u>
Total Liabilities and Net Assets	<u><u>\$ 2,211,728</u></u>	<u><u>\$ 2,224,141</u></u>

See notes to financial statements.

INTERFAITH DENTAL CLINIC OF NASHVILLE
Statements of Activities
Years Ended June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Unrestricted Net Assets		
Revenue		
Patient Fees	\$ 448,578	\$ 428,996
Investment (Loss) Income	(44,878)	958
Interest and Dividend Income	32,052	6,092
Support		
Individual and Foundation Contributions	666,885	333,021
Donated Professional Services	404,857	372,754
United Way	126,626	128,467
Gala	104,587	80,407
Government Grants	68,376	27,150
Bleaching	51,269	63,155
Corporate Contributions	36,804	37,536
Donated Supplies and Equipment	29,884	15,236
Church Contributions	20,612	20,490
Other Special Events	12,405	5,169
Christmas Cards	8,118	10,050
Marathon	7,016	-
Graham Memorial Fund (Ryman Concert)	-	179,898
Total Revenue and Support	<u>1,973,191</u>	<u>1,709,379</u>
Net Assets Released from Restrictions		
Capital Campaign Restrictions Satisfied by Payments	<u>224,688</u>	<u>184,700</u>
Total Unrestricted Revenue, Support and Reclassifications	2,197,879	1,894,079
Expenses		
Dental Services	1,657,369	1,523,148
Management and General	28,456	27,193
Operational Fundraising	296,965	213,856
Tenant	<u>145</u>	<u>708</u>
Total Expenses	<u>1,982,935</u>	<u>1,764,905</u>
Increase in Unrestricted Net Assets	214,944	129,174
Temporarily Restricted Net Assets		
Capital Campaign	-	2,975
Interest and Dividend Income	-	11,800
Investment Income	-	19,876
Net Assets Released from Restrictions	<u>(224,688)</u>	<u>(184,700)</u>
Decrease in Temporarily Restricted Net Assets	(224,688)	(150,050)
Decrease in Net Assets	(9,744)	(20,876)
Net Assets - Beginning of Year	<u>2,148,549</u>	<u>2,169,425</u>
Net Assets - End of Year	<u><u>\$ 2,138,805</u></u>	<u><u>\$ 2,148,549</u></u>

See notes to financial statements.

INTERFAITH DENTAL CLINIC OF NASHVILLE
Statements of Functional Expenses
Years Ended June 30, 2008 and 2007

	2008					2007				
	Supporting Services					Supporting Services				
	Dental Services	Management and General	Operational Fundraising	Tenant	Total	Dental Services	Management and General	Operational Fundraising	Tenant	Total
Salaries and wages	\$ 721,853	\$ 18,500	\$ 87,000	\$ -	\$ 827,353	\$ 650,012	\$ 16,774	\$ 75,485	\$ -	\$ 742,271
Payroll Taxes & Benefits	141,192	3,760	14,520	-	159,472	140,427	3,624	16,308	-	160,359
Bad Debt	3,380	-	123,372	-	126,752	7,730	-	-	-	7,730
Communication Expenses	5,562	200	800	-	6,562	5,409	231	832	-	6,472
Continuing Education, Memberships and Volunteer and Employee Recognition	7,035	300	334	-	7,669	9,725	1,167	778	-	11,670
Dental Lab	96,653	-	-	-	96,653	84,957	-	-	-	84,957
Dental Supplies	71,904	-	-	-	71,904	64,281	-	-	-	64,281
Depreciation	78,865	-	-	-	78,865	76,713	-	-	-	76,713
Donated Dental Supplies	6,459	-	-	-	6,459	9,367	-	-	-	9,367
Donated Professional Services	404,857	-	-	-	404,857	372,754	-	-	-	372,754
Employee Advertising	-	-	-	-	-	604	-	-	-	604
Fundraising Expenses	-	-	-	-	-	-	-	11,802	-	11,802
General Supplies	1,529	50	50	-	1,629	-	-	-	-	-
Insurance	12,630	1,400	100	-	14,130	10,760	1,448	207	-	12,416
Interior/Exterior Building Expenses	13,926	375	378	-	14,679	12,118	655	328	-	13,101
Loss on Disposal of Assets	3,658	-	-	-	3,658	9,594	-	-	-	9,594
Merchant, Bank and Investment Fees	9,089	242	2,781	-	12,092	14,412	255	638	-	15,304
Office Supplies	4,400	48	335	-	4,783	2,783	84	1,350	-	4,217
Printing and Postage	2,862	119	8,945	-	11,926	3,724	324	12,144	-	16,192
Professional Services	24,833	1,251	2,665	-	28,749	11,056	-	-	-	11,056
Property Taxes	-	-	-	-	-	-	-	-	708	708
Dental Equipment, Repairs & Maintenance	4,820	-	-	-	4,820	14,400	-	-	-	14,400
Special Events	-	-	51,977	-	51,977	-	-	91,625	-	91,625
Computer Support, Repairs & Maintenance	25,437	1,496	2,993	-	29,926	8,512	1,124	1,606	-	11,242
Taxes on Unrelated Income	-	-	-	145	145	-	-	-	-	-
Utilities	16,445	715	715	-	17,875	13,810	1,507	753	-	16,070
Total Expenses	\$ 1,657,369	\$ 28,456	\$ 296,965	\$ 145	\$ 1,982,935	\$ 1,523,148	\$ 27,193	\$ 213,856	\$ 708	\$ 1,764,905

See notes to financial statements.

INTERFAITH DENTAL CLINIC OF NASHVILLE
Statements of Cash Flows
Years Ended June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Cash Flows from Operating Activities		
Decrease in Net Assets	\$ (9,744)	\$ (20,876)
Adjustments to Reconcile Decrease in Net Assets to Cash (Used in) Provided by Operating Activities:		
Depreciation	78,865	76,713
Loss on Disposal of Assets	3,658	9,594
Donated Property and Equipment	(23,425)	(5,000)
Donated Marketable Securities	(7,486)	(73,808)
Unrealized Loss (Gain) on Marketable Securities	63,066	(14,893)
Decrease (Increase) in Patient Accounts Receivable	5,747	(11,838)
(Increase) Decrease in Contributions Receivable	(105,614)	164,931
Increase in Government Grant Receivable	(14,876)	-
Increase in Prepaid Expenses	(4,213)	(3,918)
Decrease (Increase) in Beneficial Interest in Agency Endowment Fund	320	(1,363)
(Decrease) Increase in Accounts Payable	(8,483)	1,987
Increase in Accrued Liabilities	2,046	16,731
Increase in Patient Credits	3,768	342
Total Adjustments	<u>(6,627)</u>	<u>159,477</u>
Net Cash (Used in) Provided by Operating Activities	<u>(16,371)</u>	<u>138,600</u>
 Cash Flows from Investing Activities		
Payments for the Purchase of Marketable Securities, Net of Fees	(155,689)	(130,318)
Proceeds from Sale of Marketable Securities	153,308	72,630
Payments for the Purchase of Property and Equipment	<u>(41,379)</u>	<u>(8,099)</u>
Net Cash Used in Investing Activities	<u>(43,760)</u>	<u>(65,787)</u>
 Net (Decrease) Increase in Cash	(60,131)	72,813
Cash - Beginning of Year	<u>282,136</u>	<u>209,323</u>
Cash - End of Year	<u>\$ 222,005</u>	<u>\$ 282,136</u>
 Supplemental Cash Flow Disclosures:		
Cash Paid For:		
Taxes on Unrelated Business Income	\$ 145	\$ -
Noncash Investing Transactions:		
Donated Property and Equipment	\$ 23,425	\$ 5,000
Donated Marketable Securities	\$ 7,486	\$ 73,808

See notes to financial statement.

INTERFAITH DENTAL CLINIC OF NASHVILLE
Notes to Financial Statements
June 30, 2008 and 2007

Note 1. Summary of Significant Accounting Policies

A. Organization and Nature of Activities

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

B. Basis of Accounting

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

C. Financial Statement Presentation

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

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

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

D. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

E. Cash and Cash Equivalents

For purposes of the statement of cash flows, cash includes cash on hand, demand deposits and investments with initial maturities of three months or less.

F. Contributions Receivable

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

G. Investments

Investments are stated at the readily determinable fair market value in accordance with Financial Accounting Standards Board ("FASB") Statement No. 124 *Accounting for Certain Investments Held by Not-for-Profit Organizations*. All interest, dividends and unrealized gains and losses are reported in the statement of activities as increases or decreases in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulations or by law.

H. Property, Plant and Equipment

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

I. Contributed Property and Equipment

Contributed property and equipment is recorded at fair value at the date of donation. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support.

INTERFAITH DENTAL CLINIC OF NASHVILLE
Notes to Financial Statements - Continued
June 30, 2008 and 2007

Note 1. Summary of Significant Accounting Policies - Continued

J. Income Taxes

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

K. Functional Expenses

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

L. Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. If a restriction is fulfilled in the same time period in which the contribution is received, the organization reports the support as unrestricted. Otherwise, when a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

M. Contributed Services

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

N. 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. Market value for services performed during 2008 and 2007 were \$1,980,454 and \$1,973,504. The discount between market value and patient fees recognized fluctuates with patient mix. The majority of patients are charged 20% of market value.

O. Agency Endowment Fund

The Clinic's beneficial interest in an agency endowment fund held by the Community Foundation of Middle Tennessee is recognized as an asset. In accordance with FASB Statement No. 136 *Transfers of Assets to a Not-for-Profit Organization or Charitable Trust That Raises or Holds Contributions for Others*, investment income and changes in the value are recognized in the statement of activities. Distributions received from the fund are recorded as decreases in the beneficial interest.

P. Reclassifications

Certain reclassifications have been made to the financial statements as of and for the year ended June 30, 2007 to conform to 2008 presentation.

Note 2. Investments

The Clinic holds investments in various equity securities and cash (See Note 6). These investments are carried at the fair market value determined on June 30 using quoted market prices. The investments are as follows:

	2008		2007	
	Fair Value	Cost	Fair Value	Cost
Money Market	\$ 4,698	\$ 4,698	\$ 155,477	\$155,477
Mutual Funds	286,827	315,265	189,247	154,619
Totals	<u>\$ 291,525</u>	<u>\$ 319,963</u>	<u>\$ 344,724</u>	<u>\$310,096</u>

INTERFAITH DENTAL CLINIC OF NASHVILLE
Notes to Financial Statements - Continued
June 30, 2008 and 2007

Note 3. Contributions Receivable

Unconditional promises to give are recorded as follows:

	2008	2007
Receivable in One Year or Less	\$ 151,075	\$ 129,709
Receivable in One to Five Years	233,719	115,251
Total Contributions Receivable-Unrestricted	<u>\$ 384,794</u>	<u>\$ 244,960</u>
	2008	2007
Capital Contributions Receivable	\$ -	\$ 16,020
Other Contributions Receivable	384,794	228,940
Subtotal Contributions Receivable	384,794	244,960
Less:		
Discounts for the Time Value of Money	(23,274)	(8,294)
Allowance for uncollectible receivables	(19,240)	-
Contributions Receivable, Net	<u>\$ 342,280</u>	<u>\$ 236,666</u>

Gross contributions have been discounted to account for the time value of money using discount rates from 2.61% to 4.39% for 2008 and 2007, respectively. The rates are determined using United States Treasury Bond zero coupon rates in effect on the date the pledges are made by donors.

Note 4. Contributed Property, Equipment and Services

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

Revenues		
	2008	2007
Donated Professional Services	\$ 404,857	\$ 372,754
Donated Supplies & Equipment	29,884	15,235
Totals	<u>\$ 434,741</u>	<u>\$ 387,989</u>
Expenses		
	2008	2007
Donated Professional Dental Services	\$ 404,857	\$ 372,754
Dental Supplies	6,459	9,367
Repairs and Maintenance	-	868
Dental Equipment	23,425	5,000
Totals	<u>\$ 434,741</u>	<u>\$ 387,989</u>

Note 5. Beneficial Interest in Agency Fund Endowment

During the year ended June 30, 2002, the Clinic transferred \$5,000 to the Community Foundation of Middle Tennessee ("Community Foundation") under an agency endowment fund. It is the hope of the Clinic that other individuals will contribute to the fund. The Clinic has granted variance power to the Community Foundation, and the Community Foundation has ultimate authority and control over the Fund and the income derived there from. The clinic retains a beneficial interest in the endowment fund held by the Community Foundation. Upon request by the Clinic, income from the fund representing an annual return may be distributed to the Clinic or to another suggested beneficiary subject to the approval of the Community Foundation. The fund is charged a .4% administrative fee annually on the principal.

INTERFAITH DENTAL CLINIC OF NASHVILLE
Notes to Financial Statements - Continued
June 30, 2008 and 2007

Note 5. Beneficial Interest in Agency Fund Endowment – Continued

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

	<u>2008</u>	<u>2007</u>
Beneficial Interest - Beginning of Year	\$ 8,322	\$ 6,959
Change in Value of Beneficial Interest:		
Contributions to the Fund	-	200
Realized Gain	60	416
Unrealized Gain (Loss)	(717)	542
Interest and Dividends	389	254
Investment Fees	(19)	-
Administrative Expenses	(34)	(49)
	<u>(320)</u>	<u>1,363</u>
Distributions to the Clinic	<u>-</u>	<u>-</u>
Beneficial Interest - End of Year	<u>\$ 8,002</u>	<u>\$ 8,322</u>

Note 6. Net Assets

Board designated net assets are available for the following purposes:

Beneficial Interest – See Note 5.

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

Graham Memorial Fund – intended 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.

Temporarily restricted net assets are available for the following purpose:

1998 Building Fund – as of June 30, 2007, \$224,688 remained temporarily restricted for building repair and maintenance

Note 7. Retirement Plan

The 401(k) Retirement Plan was temporarily suspended in January 2008 because the Clinic's employee leasing company merged with another company requiring the Plan to be re-approved by the Internal Revenue Service. The Plan restarted July 1, 2008. Prior to January 2008, the Clinic maintained a 401(k) Retirement Plan for all eligible employees. Employees age 21 or older became eligible to participate in the plan after one year of continuous service. The plan allowed participants to contribute a portion of their earnings up to the maximum amount allowable under the Internal Revenue Code each year. Effective January 1, 2008, the Clinic matched up to 3% of a participant's salary dollar for dollar and 50 cents on the dollar after that to a maximum of 4%. Participants must contribute 5% of their annual salary to get the full 4% match. From July 1, 2007 through December 31, 2007 and in 2006, the Clinic contributed 8% of a participant's annual salary in contributions. Clinic contributions of \$21,902 and \$44,178 were made during the years ended June 30, 2008 and 2007, respectively. The Clinic may also make discretionary contributions to the retirement plan. No discretionary contributions to the plan were made during the years ended June 30, 2008 and 2007. A discretionary contribution to the plan was accrued at June 30, 2008 in the amount of \$11,695.

INTERFAITH DENTAL CLINIC OF NASHVILLE
Notes to Financial Statements - Continued
June 30, 2008 and 2007

Note 8. Concentrations

The Clinic maintains checking and money market accounts with banks whose accounts are insured by the Federal Deposit Insurance Corporation up to \$100,000. At June 30, 2008 and 2007, the Clinic's bank accounts exceeded FDIC insurance coverage by \$125,340 and \$179,597, respectively.

For the years ended June 30, 2008 and 2007, the Clinic received 34% and 20% of its total revenue and support from the individual and foundation contributions and 23% and 25% from patient fees.

The Clinic has unsecured promises to give from donors located primarily in the Middle Tennessee region. The gross amount due on the unconditional promises to give at June 30, 2008 and 2007 are \$384,794 and \$244,960, respectively.

Note 9. Capital Campaign

The following is a schedule of the revenues and disbursements of the capital campaign for the years ended June 30:

	<u>2008</u>	<u>2007</u>
Net Assets Restricted for Campaign - Beginning of Year	\$ -	\$ 176,402
Contributions	-	2,975
Distributions:		
Capitalized Costs	-	(3,272)
Payroll Costs	-	(176,105)
Net Assets Restricted for Campaign - End of Year	<u>\$ -</u>	<u>\$ -</u>

Note 10. Related Party Transaction

The Clinic outsources human resource functions including payroll preparation, health insurance administration and retirement plan administration to a company owned by a member of the board of directors. During the years ended June 30, 2008 and 2007, the Clinic paid the company \$13,309 and \$9,289, respectively.