

FAITH FAMILY MEDICAL CENTER, INC.
Financial Statements
December 31, 2014 and 2013

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Independent Auditors' Report

To the Board of Directors of
Faith Family Medical Center, Inc.

We have audited the accompanying financial statements of Faith Family Medical Center, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2014 and 2013, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Faith Family Medical Center, Inc. as of December 31, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Parker, Parker & Associates

March 26, 2015

FAITH FAMILY MEDICAL CENTER, INC.
Statements of Financial Position
December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Assets		
Current Assets		
Cash	\$ 604,200	\$ 438,699
Investments	1,804,077	1,721,308
Grants Receivable	387,093	256,775
Contributions Receivable	69,885	75,515
Accounts Receivable	4,207	4,665
Prepaid Expenses	26,871	26,087
Total Current Assets	<u>2,896,333</u>	<u>2,523,049</u>
Property & Equipment		
Computer Equipment	148,619	139,958
Medical Equipment	40,804	38,004
Office Equipment	60,047	57,982
Building Improvements	210,671	202,026
	<u>460,141</u>	<u>437,970</u>
Less: Accumulated Depreciation	<u>(297,839)</u>	<u>(236,031)</u>
Total Property & Equipment	<u>162,302</u>	<u>201,939</u>
Other Assets		
Grants Receivable	105,759	-
Contributions Receivable	60,000	80,000
Deposits	1,995	1,995
Total Other Assets	<u>167,754</u>	<u>81,995</u>
Total Assets	<u><u>\$ 3,226,389</u></u>	<u><u>\$ 2,806,983</u></u>
Liabilities and Net Assets		
Current Liabilities		
Accounts Payable	\$ 9,551	\$ 25,772
Earned Time Off	81,116	62,377
Accrued Payroll and Taxes	31,107	28,758
Total Current Liabilities	<u>121,774</u>	<u>116,907</u>
Net Assets		
Unrestricted	2,522,138	2,352,908
Temporarily Restricted	582,477	337,168
Total Net Assets	<u>3,104,615</u>	<u>2,690,076</u>
Total Liabilities and Net Assets	<u><u>\$ 3,226,389</u></u>	<u><u>\$ 2,806,983</u></u>

See notes to financial statements.

FAITH FAMILY MEDICAL CENTER, INC.
Statements of Activities
For the Years Ended December 31, 2014 and 2013

	2014			2013		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenue and Support						
Medical Services, Net	\$ 212,541	\$ -	\$ 212,541	\$ 260,080	\$ -	\$ 260,080
Contributions	893,493	18,200	911,693	642,995	122,943	765,938
Grants	291,525	545,977	837,502	463,173	98,500	561,673
Investment Income (Loss), Net	83,469	-	83,469	263,625	-	263,625
Donated Professional Services	113,587	-	113,587	107,857	-	107,857
Donated Rent	62,712	-	62,712	62,712	-	62,712
Donated Equipment and Supplies	4,365	-	4,365	27,771	-	27,771
Interest and Other Income	30,126	-	30,126	27,332	-	27,332
Net Assets Released from Restrictions	318,868	(318,868)	-	271,775	(271,775)	-
Total Revenue and Support	2,010,686	245,309	2,255,995	2,127,320	(50,332)	2,076,988
Expenses						
Program Expenses	1,504,168	-	1,504,168	1,648,095	-	1,648,095
Supporting Services						
Management and General Expenses	136,522	-	136,522	169,158	-	169,158
Fundraising Expenses	200,766	-	200,766	180,414	-	180,414
Total Supporting Services	337,288	-	337,288	349,572	-	349,572
Total Expenses	1,841,456	-	1,841,456	1,997,667	-	1,997,667
Change in Net Assets	169,230	245,309	414,539	129,653	(50,332)	79,321
Net Assets - Beginning of Year	2,352,908	337,168	2,690,076	2,223,255	387,500	2,610,755
Net Assets - End of Year	<u>\$ 2,522,138</u>	<u>\$ 582,477</u>	<u>\$ 3,104,615</u>	<u>\$ 2,352,908</u>	<u>\$ 337,168</u>	<u>\$ 2,690,076</u>

See notes to financial statements.

FAITH FAMILY MEDICAL CENTER, INC.
Statements of Functional Expenses
For the Years Ended December 31, 2014 and 2013

	2014				2013			
	Supporting Services		Supporting Services		Supporting Services		Supporting Services	
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Advertising	\$ 1,016	\$ -	\$ 613	\$ 1,629	\$ 4,578	\$ -	\$ -	\$ 4,578
Bad Debt	1,966	-	634	2,600	3,346	-	1,442	4,788
Building Repairs and Maintenance	6,070	-	623	7,316	6,393	-	604	7,602
Salaries	832,080	74,853	100,376	1,007,309	939,792	90,210	77,137	1,107,139
Taxes	59,803	5,782	7,749	73,334	71,089	7,396	6,466	84,951
Benefits	134,207	6,629	8,887	149,723	117,482	7,461	12,148	137,091
Bank Service Charges	2,924	8	451	3,383	3,872	80	122	4,074
Contract Labor	25,322	343	1,636	27,301	16,350	3,455	3,185	22,990
Continuing Education	6,256	1,155	2,394	9,805	4,248	925	2,007	7,180
Donated Services and Supplies	114,087	-	-	114,087	109,244	-	-	109,244
Dues and Subscriptions	4,765	2,445	4,452	11,662	7,088	834	3,481	11,403
Equipment Repairs and Maintenance	19,059	942	4,337	24,338	21,672	642	3,841	26,155
Fees and Licenses	2,153	22	300	2,475	3,377	167	300	3,844
Insurance	13,435	3,890	582	17,907	16,320	3,845	387	20,552
Lab Services	33,699	-	-	33,699	38,347	-	-	38,347
Loss on Disposal of Fixed Assets	-	-	-	-	-	1,600	-	1,600
Meals	5,652	1,142	692	7,486	8,523	1,046	1,016	10,585
Miscellaneous	1,310	2,246	125	3,681	582	-	-	582
Postage and Handling	4,213	54	2,117	6,384	5,237	1	3,156	8,394
Printing and Publications	5,778	206	11,246	17,230	11,176	76	11,490	22,742
Professional Fees	31,342	23,054	7,622	62,018	34,889	38,420	21,192	94,501
Rent - Building	72,966	7,803	7,803	88,572	71,736	7,668	7,668	87,072
Rent - Equipment	7,330	327	432	8,089	9,557	385	385	10,327
Specific Assistance to Individuals	-	-	-	-	6,778	-	-	6,778
Special Events	-	-	30,078	30,078	-	-	16,049	16,049
Supplies - Medical	18,114	-	-	18,114	32,691	-	-	32,691
Supplies - Office	14,624	1,236	3,980	19,840	16,640	1,210	2,161	20,011
Travel	5,726	720	313	6,759	2,922	191	3,348	6,461
Utilities	15,620	1,520	1,312	18,452	12,465	1,342	1,231	15,038
Wellness	6,376	-	-	6,376	11,528	-	-	11,528
Total Before Depreciation	1,445,893	135,000	198,754	1,779,647	1,587,922	167,559	178,815	1,934,296
Depreciation	58,275	1,522	2,012	61,809	60,173	1,599	1,599	63,371
Total Expenses	\$ 1,504,168	\$ 136,522	\$ 200,766	\$ 1,841,456	\$1,648,095	\$ 169,158	\$ 180,414	\$ 1,997,667

See notes to financial statements.
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FAITH FAMILY MEDICAL CENTER, INC.
Statements of Cash Flows
For the Years Ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Cash Flows from Operating Activities		
Increase in Net Assets	\$ 414,539	\$ 79,321
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	61,809	63,371
Loss on Disposal of Fixed Assets	-	1,600
Donated Property and Equipment	(2,800)	(23,041)
Donated Investments	(14,255)	(38,354)
Realized Gain on Sale of Investments	(21,567)	(36,293)
Unrealized (Gain) Loss on Investments	29,815	(163,093)
Dividends Re-Invested	(91,717)	(65,210)
(Increase) Decrease in:		
Grants Receivable	(236,077)	100,050
Contributions Receivable	25,630	(50,307)
Accounts Receivable	458	4,893
Prepaid Expenses	(784)	(10,113)
Deposits	-	-
Increase (Decrease) in:		
Accounts Payable	(16,221)	(2,717)
Earned Time Off	18,739	(8,260)
Accrued Payroll and Taxes	2,349	5,575
Total Adjustments	<u>(244,621)</u>	<u>(221,899)</u>
Net Cash Provided (Used) by Operating Activities	<u>169,917</u>	<u>(142,578)</u>
Cash Flows from Investing Activities		
Proceeds from the Sale of Investments	319,955	500,213
Payments for the Purchase of Property & Equipment	(19,372)	(36,571)
Payments for the Purchase of Investments	<u>(305,000)</u>	<u>(220,860)</u>
Net Cash Provided (Used) by Investing Activities	<u>(4,417)</u>	<u>242,782</u>
Net Increase in Cash	165,501	100,204
Cash - Beginning of Year	<u>438,699</u>	<u>338,495</u>
Cash - End of Year	<u><u>\$ 604,200</u></u>	<u><u>\$ 438,699</u></u>

See notes to financial statements.

FAITH FAMILY MEDICAL CENTER, INC.
Notes to Financial Statements
December 31, 2014 and 2013

Note 1. Summary of Significant Accounting Policies

A. Organization and Nature of Activities

Faith Family Medical Center, Inc. ("the Center") is organized under the laws of the State of Tennessee to provide primary medical care and related healthcare services to working uninsured individuals and their families in the greater Nashville area. The Center funds its operations from patient fees, contributions, grants and investment income.

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

Financial statement presentation is reported in accordance with the FASB Accounting Standards Codification for *Presentation of Financial Statements, Not-For-Profit Entities*. Under those provisions, net assets and revenues, gains, and losses are classified based on the absence or existence and nature of donor-imposed restrictions as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that can be fulfilled by actions of the Center pursuant to those stipulations or that expire by the passage of time.

D. Estimates

The preparation of 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, money market, and investments with initial maturities of three months or less. There are no cash equivalents at December 31, 2014 and 2013.

F. Contributions and Grants Receivable

Contributions and grants receivable are recorded at fair value for all unconditional promises to give. Management has evaluated the collectability of contributions receivable based on historical data and collections subsequent to year end and has determined that an allowance for uncollectible contributions is not necessary.

G. Accounts Receivable

Accounts receivable consists primarily of amounts due from patients for services provided by the Center. An allowance for doubtful accounts is established based on review of collection history. Receivables are written off when a balance is determined to be uncollectible, generally when it is past due for more than one year. Accounts receivable as of December 31, 2014 and 2013 are expected to be collected within one year. As a result, management has determined that an allowance for uncollectible accounts is not necessary.

H. Property and Equipment

It is the Center's policy to capitalize property and equipment over \$1,000. Purchased property and equipment are recorded at cost if purchased or fair market value if donated. Depreciation is provided using the double-declining balance and straight-line methods over the estimated useful lives of the assets ranging from 3 to 10 years. Repairs and maintenance are expensed as incurred. Total depreciation expense for the years ended December 31, 2014 and 2013 is \$61,809 and \$63,371.

FAITH FAMILY MEDICAL CENTER, INC.
Notes to Financial Statements – Continued
December 31, 2014 and 2013

Note 1. Summary of Significant Accounting Policies – Continued

I. Fair Market Value

Management has adopted the *Fair Value Measurements and Disclosures* topic of the FASB Accounting Standards Codification for determining fair value of financial assets and liabilities that are required to be carried at such amounts. Fair value is required to be evaluated and adjusted according to the following valuation techniques:

Level 1: Fair value is determined using quoted market prices in active markets for identical assets and liabilities.

Level 2: Fair value is determined using quoted market prices in active markets for similar assets and liabilities.

Level 3: Fair value is determined using unobservable market prices in a market that is typically inactive.

J. Earned Time Off

Employees earn leave beginning with the pay period they are hired. Employees use their earned time off for vacation, personal time, sick days and eight holidays. Eligible part-time employees earn leave on a pro-rata basis based on the number of hours worked. Full-time employees earn leave days per year as follows:

Years of Service:	Hired Prior to December 31, 2009	Hired After January 1, 2010
Up to five years consecutive service	30	25
Five to ten years consecutive service	35	30
Ten years of consecutive service and subsequent	40	35

No more than one and one-half the amount of annual leave hours earned may accrue at any one time. At December 31, 2014 and 2013, earned time off is \$81,116 and \$62,377.

K. Medical Services Revenue

Medical services revenue is recorded at the Center's established rates with charity allowances deducted to arrive at net medical services revenue.

L. Contributions

Contributions are received and recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

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

Contributed services are reflected in the financial statements at the 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.

M. Functional Expenses

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

FAITH FAMILY MEDICAL CENTER, INC.
Notes to Financial Statements – Continued
December 31, 2014 and 2013

Note 1. Summary of Significant Accounting Policies – Continued

N. Advertising Costs

Advertising costs are charged to operations when incurred. Advertising expense is \$1,629 and \$4,578 for the years ended December 31, 2014 and 2013.

O. Income Taxes

The Center is a nonprofit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code except on net income derived from unrelated business activities.

The Center's 2012, 2013 and 2014 Forms 990, Return of Organization Exempt from Income Tax, are subject to examination by the Internal Revenue Service, generally for three years from the date filed.

P. Reclassifications

Certain reclassifications have been made to the 2013 financial statements to conform to the 2014 presentation.

Note 2. Investments

Investments at December 31, 2014 and 2013 are as follows:

2014		
Cost	Fair Market Value	Cumulative Unrealized Gain (Loss)
\$ 906,249	\$ 1,120,593	\$ 214,345
692,288	683,484	(8,805)
<u>\$ 1,598,537</u>	<u>\$ 1,804,077</u>	<u>\$ 205,540</u>

2013		
Cost	Fair Market Value	Cumulative Unrealized Gain (Loss)
\$ 861,840	\$ 1,103,814	\$ 241,974
620,240	617,494	(2,746)
<u>\$ 1,482,080</u>	<u>\$ 1,721,308</u>	<u>\$ 239,228</u>

Investment income for the years ended December 31, 2014 and 2013 consist of the following:

	2014	2013
Realized Gain (Loss), Net	\$ 21,567	\$ 36,292
Unrealized Gain (Loss), Net	(29,815)	163,093
Interest and Dividend Income	91,717	63,864
Total Investment Income	<u>\$ 83,469</u>	<u>\$ 263,249</u>

FAITH FAMILY MEDICAL CENTER, INC.
Notes to Financial Statements – Continued
December 31, 2014 and 2013

Note 3. Grants and Contributions Receivable

The amounts of grants and contributions receivable as of December 31, 2014 and 2013 are as follows:

	<u>2014</u>	<u>2013</u>
Unrestricted	\$ 40,260	\$ 75,122
Temporarily Restricted	582,477	337,168
	<u>622,737</u>	<u>412,290</u>
Less:		
Discounts for the Time Value of Money	-	-
Grants and Contributions Receivable, Net	<u>\$ 622,737</u>	<u>\$ 412,290</u>

Future collections of grants and contributions as of December 31, 2014 and 2013 are as follows:

	<u>2014</u>	<u>2013</u>
Receivable in Less than One Year	\$ 456,978	\$ 332,290
Receivable in One to Five Years	165,759	80,000
Total Receivables	<u>\$ 622,737</u>	<u>\$ 412,290</u>

Note 4. Fair Value Measurements

The following assets carried at fair value are reviewed and adjusted on a recurring basis:

<u>Asset</u>	<u>Fair Value December 31, 2014</u>	<u>Quoted Prices in Active Markets for Identical Assts (Level 1)</u>
Investments	\$ 1,804,077	\$ 1,804,077

<u>Asset</u>	<u>Fair Value December 31, 2013</u>	<u>Quoted Prices in Active Markets for Identical Assts (Level 1)</u>
Investments	\$ 1,721,308	\$ 1,721,308

Note 5. Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31, 2014 and 2013 are available for the following purposes:

	<u>2014</u>	<u>2013</u>
Journey to Health Program	\$ 374,777	\$ 124,000
Medical Exams for Women	5,000	5,000
Fixed Assets	6,700	1,800
Senior Healthcare	50,000	-
Salaries and Training	80,000	100,000
Other Time Restrictions	66,000	106,368
	<u>\$ 582,477</u>	<u>\$ 337,168</u>

FAITH FAMILY MEDICAL CENTER, INC.
Notes to Financial Statements – Continued
December 31, 2014 and 2013

Note 6. Conditional Promise to Give

During the years ended December 31, 2014 and 2013, the Center has been awarded Health Care Safety Net grants from the State of Tennessee. These grants reimburse the Center for primary care medical encounters provided to adults meeting the grant criteria. Once grant criteria are met, the Center recognizes grant revenue and a receivable. The total awarded for the grant periods of July 1, 2014 to June 30, 2015 was \$235,200 and July 1, 2013 to June 30, 2014 was \$220,000.

Note 7. Donated Property, Equipment and Services

Donated property, equipment and services are used in the ongoing operations of the Center. The value of donated property, equipment and services included in the financial statements and the corresponding expenditure or asset capitalization for the years ended December 31, 2014 and 2013 are as follows:

Revenues	2014	2013
Donated Professional Services	\$ 113,587	\$ 107,857
Donated Equipment and Supplies	4,365	27,771
Donated Rent	62,712	62,712
	<u>\$ 180,664</u>	<u>\$ 198,340</u>
Expenses and Assets	2014	2013
Donated Professional Services	\$ 113,587	\$ 107,857
Donated Equipment and Supplies	4,365	27,771
Donated Rent	62,712	62,712
	<u>\$ 180,664</u>	<u>\$ 198,340</u>

The Center receives donated pharmaceutical samples from various sources. These samples are dispensed at the Center to patients. The value of these donated samples has not been determined or recorded in the financial statements.

Note 8. Pension Plan

The Center has a simplified employee pension plan (SEP) for the benefit of its employees who have attained the age of eighteen and been employed with the Center for one year. The plan provides for discretionary contributions by the Center determined annually by the Board of Directors. Contributions to the plan are made in accordance with the Internal Revenue Service limits. For the years ended December 31, 2014 and 2013, the Center funded 6% of compensation for eligible employees for a total of \$45,343 and \$54,770.

Note 9. Operating Leases

The Center leases a medical office building from Baptist Hospital. The building is located at 326 21st Avenue North in Nashville, Tennessee. The building consists of 3,400 square feet. The Center has negotiated a five year lease expiring on December 31, 2017 for \$1 per year. The fair market retail value for the years ended December 31, 2014 and 2013 of the building is \$17.87 per square foot or \$60,758 per year and \$17.25 per square foot or \$58,650 per year respectively.

The Center leases an apartment that serves as additional office space. The Center has negotiated a three year lease expiring in December 31, 2017 for \$2,250 per month.

The Center leases copiers under month-to-month operating leases. Title of ownership does not pass to the lessee at any time.

FAITH FAMILY MEDICAL CENTER, INC.
Notes to Financial Statements – Continued
December 31, 2014 and 2013

Note 9. Operating Leases – Continued

Future minimum rental payments required under operating leases that have initial or remaining noncancelable base terms in excess of one year as of December 31, 2014:

<u>Year Ending December 31</u>	<u>Amount</u>
2015	\$ 27,541
2016	28,645
2017	29,791
2018	1
Thereafter	-
Total	<u>\$ 85,978</u>

Rental expense for all operating leases for the years ended December 31, 2014 and 2013 is \$88,572 and \$87,072.

Note 10. Concentration of Risk

The Center holds cash with two financial institutions in Nashville, Tennessee. Accounts at all institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At December 31, 2014 and 2013, the Center's cash accounts exceeded the insurance coverage by \$113,021 and \$97,523. The Center believes it is not exposed to any significant credit risk on cash and equivalents.

The Center has a concentration of risk related to revenue. Revenue earned from two sources during the years ended December 31, 2014 and 2013 was 21% and 26% of total revenue.

Note 11. Subsequent Events

The Center has evaluated events and transactions for subsequent events that would impact the financial statements for the year ended December 31, 2014 through March 26, 2015, the date the financial statements were available to be issued. There were no subsequent events that require recognition or disclosure in the financial statements.