

FAITH FAMILY MEDICAL CLINIC, INC.
Financial Statements
December 31, 2008

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Independent Auditors' Report

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

We have audited the accompanying statement of financial position of Faith Family Medical Clinic, Inc. (a nonprofit organization) as of December 31, 2008, and the related statements of activities and cash flows for the six months 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 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 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 audit provides 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 Faith Family Medical Clinic, Inc. as of December 31, 2008, and the changes in its net assets and its cash flows for the six months then ended in conformity with accounting principles generally accepted in the United States of America.

Parker, Parker & Associates

March 17, 2009

FAITH FAMILY MEDICAL CLINIC, INC.
Statement of Financial Position
December 31, 2008

Assets

Current Assets

Cash and Cash Equivalents	\$ 437,154
Investments	1,110,784
Grants Receivable	138,025
Contributions Receivable	78,126
Accounts Receivable	459
Prepaid Insurance	<u>14,982</u>
Total Current Assets	<u>1,779,530</u>

Property & Equipment

Computer Equipment	37,957
Medical Equipment	21,760
Office Equipment	25,353
Building Improvements	<u>108,850</u>
	193,920
Less: Accumulated Depreciation	<u>(133,370)</u>
Total Property & Equipment	<u>60,550</u>

Total Assets	<u><u>\$ 1,840,080</u></u>
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Liabilities and Net Assets

Current Liabilities

Accounts Payable	\$ 29,187
Accrued Vacation	35,266
Deferred Revenue	<u>30</u>
Total Current Liabilities	<u>64,483</u>

Net Assets

Unrestricted	1,764,774
Temporarily Restricted	<u>10,823</u>
Total Net Assets	<u>1,775,597</u>

Total Liabilities and Net Assets	<u><u>\$ 1,840,080</u></u>
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See notes to financial statements.

FAITH FAMILY MEDICAL CLINIC, INC.
Statement of Activities
For the Six Months Ended December 31, 2008

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue and Support			
Medical Services, Net	\$ 94,013	\$ -	\$ 94,013
Contributions	218,915	17,392	236,307
Grants	188,025	-	188,025
Investment Loss, Net	(276,029)	-	(276,029)
Donated Professional Services	22,254	-	22,254
Donated Rent	30,600	-	30,600
Donated Equipment and Supplies	609	-	609
Interest and Other Income	2,703	-	2,703
Net Assets Released from Restrictions	6,569	(6,569)	-
Total Revenue and Support	<u>287,659</u>	<u>10,823</u>	<u>298,482</u>
Expenses			
Program Expenses	<u>498,527</u>	<u>-</u>	<u>498,527</u>
Supporting Services			
Management and General Expenses	53,714	-	53,714
Fundraising Expenses	47,948	-	47,948
Total Supporting Services	<u>101,662</u>	<u>-</u>	<u>101,662</u>
Total Expenses	<u>600,189</u>	<u>-</u>	<u>600,189</u>
Change in Net Assets	(312,530)	10,823	(301,707)
Net Assets - Beginning of Year	<u>2,077,304</u>	<u>-</u>	<u>2,077,304</u>
Net Assets - End of Year	<u>\$ 1,764,774</u>	<u>\$ 10,823</u>	<u>\$ 1,775,597</u>

See notes to financial statements.

FAITH FAMILY MEDICAL CLINIC, INC.
Statement of Functional Expenses
For the Six Months Ended December 31, 2008

		Supporting Services		
	Program Services	Management and General	Fundraising	Total
Advertising	\$ 1,760	\$ -	\$ -	\$ 1,760
Bad Debt	117	-	-	117
Compensation and Benefits	386,684	-	-	386,684
Contract Labor	1,880	-	-	1,880
Design Fees	-	43	-	43
Donated Services and Supplies	22,713	-	-	22,713
Dues and Subscriptions	-	1,350	-	1,350
Equipment and Computer Repair	1,086	-	-	1,086
Fees and Licenses	555	-	-	555
Fundraising	-	-	47,948	47,948
Insurance	9,218	2,631	-	11,849
Lab Services	21,313	-	-	21,313
Maintenance	2,151	-	-	2,151
Meals and Entertainment	-	769	-	769
Miscellaneous	1,372	6,826	-	8,198
Office Cleaning	2,995	-	-	2,995
Postage and Handling	-	2,027	-	2,027
Professional Fees	-	24,809	-	24,809
Rent - Building	30,600	-	-	30,600
Rent - Equipment	448	-	-	448
Supplies - Medical	10,354	-	-	10,354
Supplies - Office	-	5,474	-	5,474
Utilities	5,281	-	-	5,281
Total Before Depreciation	498,527	43,929	47,948	590,404
Depreciation	-	9,785	-	9,785
Total Expenses	<u>\$ 498,527</u>	<u>\$ 53,714</u>	<u>\$ 47,948</u>	<u>\$ 600,189</u>

See notes to financial statements.

FAITH FAMILY MEDICAL CLINIC, INC.
Statement of Cash Flows
For the Six Months Ended December 31, 2008

Cash Flows from Operating Activities

Decrease in Net Assets	<u>\$ (301,707)</u>
Adjustments to Reconcile Decrease in Net Assets to Net	
Cash Used by Operating Activities:	
Depreciation	9,785
Loss on Sale of Investments	3,272
Unrealized Loss on Investments	299,042
Increase in Grants Receivable	(65,225)
Increase in Contributions Receivable	(21,563)
Increase in Accounts Receivable	(36)
Increase in Prepaid Expenses	(48)
Increase in Accounts Payable	6,800
Increase in Accrued Vacation	5,714
Decrease in Deferred Income	(55)
Total Adjustments	<u>237,686</u>
Net Cash Used by Operating Activities	<u>(64,021)</u>

Cash Flows from Investing Activities

Proceeds from the Sale of Investments	141,000
Payments for the Purchase of Property and Equipment	(7,345)
Payments for the Purchase of Investments	(140,000)
Dividends (Re-Invested)	<u>(20,716)</u>
Net Cash Used by Investing Activities	<u>(27,061)</u>

Net Decrease in Cash and Cash Equivalents (91,082)

Cash and Cash Equivalents - Beginning of Year 528,236

Cash and Cash Equivalents - End of Year \$ 437,154

See notes to financial statements.

FAITH FAMILY MEDICAL CLINIC, INC.
Notes to Financial Statements
December 31, 2008

Note 1. Summary of Significant Accounting Policies

A. Organization and Nature of Activities

Faith Family Medical Clinic, Inc. (the "Clinic") was originally chartered and incorporated under the laws of Tennessee as a non-profit corporation in the name of "Interfaith Health Clinic of Nashville" on July 19, 1999. The name was changed to Faith Family Medical, Inc. through an amended charter submitted to the state of Tennessee on July 17, 2000. The Clinic adopted bylaws and began fundraising activities on March 30, 2000. The Clinic's purpose is to establish and implement fundraising programs, and to accept and receive gifts, grants, contributions, and bequests of real and personal property; to hold, manage, invest, reinvest, and expend funds and properties so received; to borrow money and issue evidences of indebtedness; and to perform all other acts necessary or incidental to the above to provide primary medical care and health education to low income, uninsured or underinsured persons. The Clinic offers services to residents in the Nashville MSA. The Clinic began seeing patients in September 2001.

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 follows the recommendations of the Financial Accounting Standards Board (FASB) in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. 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 Clinic pursuant to those stipulations or that expire by the passage of time.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that may be maintained permanently by the Clinic. Generally, the donors of such assets permit the Clinic to use all or part of the income earned on the assets.

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.

F. Contributions Receivable

Contributions 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 of amounts due from patients for services provided by the Clinic. Management considers the balances to be fully collectible based on historical experience. Therefore, an allowance for uncollectible accounts has not been established.

FAITH FAMILY MEDICAL CLINIC, INC.
Notes to Financial Statements - Continued
December 31, 2008

Note 1. Summary of Significant Accounting Policies – Continued

H. Property and Equipment

It is the Clinic'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 method 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 six months ended December 31, 2008 is \$9,785.

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.

J. Accrued Vacation

Employees earn vacation after completing three months of service. Part-time employees earn vacation on a pro-rata basis based on the number of hours worked. Full-time employees earn vacation as follows:

1-5 Years	10 days per year
5 Years +	15 days per year

No more than twice the amount of annual vacation days earned may accrue at any one time. At December 31, 2008, accrued vacation is \$35,266.

K. Income Taxes

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

L. Medical Services Revenue

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

M. 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. The Clinic reports restricted gifts of cash and other assets as support for future periods. 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. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

The Clinic reports gifts of goods and equipment as unrestricted support unless explicit donor stipulations specify how the assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets must be maintained, the Clinic reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

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.

Materials are other assets received as donations and are recorded and reflected in the accompanying financial statements at their fair values at the date of receipt.

FAITH FAMILY MEDICAL CLINIC, INC.
Notes to Financial Statements - Continued
December 31, 2008

Note 1. Summary of Significant Accounting Policies – Continued

N. Functional Expenses

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

O. Advertising Costs

Advertising costs are charged to operations when incurred. Advertising expense is \$1,760 for the six months ended December 31, 2008.

Note 2. Investments

Investments at December 31, 2008 are as follows:

	<u>Cost</u>	<u>Fair Market Value</u>	<u>Cumulative Unrealized Loss</u>
Equity Securities	\$ 994,224	\$ 620,297	\$ (373,927)
Corporate Bonds	534,356	490,487	(43,869)
	<u>\$1,528,580</u>	<u>\$ 1,110,784</u>	<u>\$ (417,796)</u>

Investment income for the six months ended December 31, 2008 consists of the following:

Realized Losses	\$ (3,272)
Unrealized Losses	(299,042)
Interest and Dividend Income	26,285
Total Investment Loss	<u>\$ (276,029)</u>

Note 3. Contributions Receivable and Temporarily Restricted Net Assets

The amounts of contributions receivable as of December 31, 2008 are as follows:

Unrestricted	\$ 67,303
Temporarily Restricted for Program Services	10,823
	<u>78,126</u>
Less:	
Discounts for the Time Value of Money	-
Contributions Receivable, Net	<u>\$ 78,126</u>

Future collections of contributions as of December 31, 2008 are as follows:

Receivable in Less than One Year	<u>\$ 78,126</u>
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Note 4. Conditional Promise to Give

The Clinic has been awarded a Health Care Safety Net Primary Care Service grant totaling \$221,000 from the State of Tennessee, Department of Health. Under this grant, the Clinic must provide primary medical care to an estimated eight thousand eight hundred and forty uninsured adult Tennesseans nineteen through sixty-four years of age. As of December 31, 2008, \$138,025 of this grant has been earned and recorded as a receivable.

Note 5. Donated 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 six months ended December 31, 2008 is as follows:

FAITH FAMILY MEDICAL CLINIC, INC.
Notes to Financial Statements - Continued
December 31, 2008

Note 5. Donated Property, Equipment and Services - Continued

Revenues

Donated Professional Services	\$ 22,254
Donated Supplies	609
Donated Rent	30,600
	<u>\$ 53,463</u>

Expenses

Donated Professional Services	\$ 22,254
Donated Supplies	609
Donated Rent	30,600
	<u>\$ 53,463</u>

Note 6. Pension Plan

The Clinic established a simplified employee pension plan (SEP) for the benefit of its employees in 2005. The plan provides for discretionary contributions by the Clinic determined annually by the Board. For the six months ended December 31, 2008, the Clinic funded 6% for all employees who had been with the Clinic for one year for a total of \$16,430.

Note 7. Operating Lease

The Clinic 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 Clinic has negotiated a five year lease expiring on December 31, 2012, with Baptist Hospital for \$1 per year. The fair market retail value of the building is \$18 per square foot or \$61,200 per year. The amount of rent expense for the six months ended December 31, 2008 is \$30,600.

Future minimum rental payments required under this lease are as follows:

Note 8. Concentration of Risk

The Clinic holds cash with one financial institution in Nashville, Tennessee. Accounts at the institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At December 31, 2008, the Clinic's cash accounts exceeded the insurance coverage by \$110,082. The Clinic believes it is not exposed to any significant credit risk on cash and equivalents.

The Clinic has a concentration of risk related to contribution and grant revenue. Revenue earned from two sources during the six months ended December 31, 2008 was 45% of total contribution and grant revenue.

Note 9. Commitments

The Clinic plans to expand and renovate the medical office building in 2009. In December 2008, the Clinic signed a \$19,000 contract with an architectural firm for services related to the expansion and renovation. As of December 31, 2008, no payments had been made on this contract.

Note 10. Fiscal Year Change

Effective the calendar year beginning January 1, 2008, the Company changed from a fiscal year end of June 30 to December 31. A six-month fiscal transition period from July 1, 2008 through December 31, 2008, precedes the start of the new calendar-year cycle.