

FAITH FAMILY MEDICAL CLINIC, INC.  
Financial Statements  
June 30, 2006 and 2005

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## Independent Auditors' Report

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

We have audited the accompanying statements of financial position of Faith Family Medical Clinic, Inc. (a nonprofit organization) as of June 30, 2006 and 2005, 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 Faith Family Medical Clinic, Inc. as of June 30, 2006 and 2005, 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.

*Parker, Parker & Associates*

December 21, 2006

**FAITH FAMILY MEDICAL CLINIC, INC.**  
**Statements of Financial Position**  
**June 30, 2006 and 2005**

	<u>2006</u>	<u>2005</u>
<b>Assets</b>		
<b>Current Assets</b>		
Cash and Cash Equivalents	\$ 532,448	\$ 246,109
Certificates of Deposit	1,068,517	1,043,632
Contributions Receivable	120,250	-
Accounts Receivable	-	5,418
Prepaid Insurance	11,167	10,577
Total Current Assets	<u>1,732,382</u>	<u>1,305,736</u>
<b>Property &amp; Equipment</b>		
Computer Equipment	21,969	21,969
Medical Equipment	11,050	11,050
Office Equipment	11,688	11,688
Building Improvements	101,244	101,244
	<u>145,951</u>	<u>145,951</u>
Less: Accumulated Depreciation	<u>(101,408)</u>	<u>(87,737)</u>
Total Property & Equipment	<u>44,543</u>	<u>58,214</u>
Total Assets	<u><u>\$ 1,776,925</u></u>	<u><u>\$ 1,363,950</u></u>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts Payable	\$ 5,416	\$ 9,416
Accrued Vacation	6,089	2,222
Total Current Liabilities	<u>11,505</u>	<u>11,638</u>
<b>Net Assets</b>		
Unrestricted	<u>1,765,420</u>	<u>1,352,312</u>
Total Liabilities and Net Assets	<u><u>\$ 1,776,925</u></u>	<u><u>\$ 1,363,950</u></u>

See independent auditors' report and notes to financial statements.

**FAITH FAMILY MEDICAL CLINIC, INC.**  
**Statements of Activities**  
**For the Years Ended June 30, 2006 and 2005**

	<b>2006</b>			<b>2005</b>		
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
<b>Revenue and Support</b>						
Medical Services, Net	\$ 188,912	\$ -	\$ 188,912	\$ 190,795	\$ -	\$ 190,795
Contributions	916,084	5,630	921,714	321,290	-	321,290
Donated Professional Services	68,164	-	68,164	44,126	-	44,126
Donated Rent	61,200	-	61,200	61,200	-	61,200
Interest and Other Income	35,274	-	35,274	34,747	-	34,747
Net Assets Released from Restrictions	5,630	(5,630)	-	109,185	(109,185)	-
Total Revenue	1,275,264	-	1,275,265	761,343	(109,185)	652,158
<b>Expenses</b>						
Program Expenses	748,869	-	748,869	622,220	-	622,220
Supporting Services						
Management and General Expenses	78,175	-	78,175	72,534	-	72,534
Fundraising Expenses	35,113	-	35,113	38,090	-	38,090
Total Supporting Services	113,288	-	113,288	110,624	-	110,624
Total Expenses	862,157	-	862,157	732,844	-	732,844
Change in Net Assets	413,108	-	413,108	28,499	(109,185)	(80,686)
Net Assets - Beginning of Year	1,352,312	-	1,352,312	1,323,813	109,185	1,432,998
Net Assets - End of Year	\$ 1,765,420	\$ -	\$ 1,765,420	\$ 1,352,312	\$ -	\$ 1,352,312

See independent auditors' report and notes to financial statements.

**FAITH FAMILY MEDICAL CLINIC, INC.**  
**Statements of Functional Expenses**  
**For the Years Ended June 30, 2006 and 2005**

	2006				2005			
	Supporting Services				Supporting Services			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Advertising	\$ 141	\$ -	\$ -	\$ 141	\$ 1,036	\$ -	\$ -	\$ 1,036
Bad Debt	-	-	-	-	12,388	-	-	12,388
Compensation and Benefits	532,012	-	-	532,012	428,739	-	-	428,739
Donated Services and Assets	68,164	-	-	68,164	44,126	-	-	44,126
Dues and Subscriptions	-	1,370	-	1,370	-	300	-	300
Equipment and Computer Repair	450	-	-	450	758	-	-	758
Fees and Licenses	1,580	-	-	1,580	1,545	-	-	1,545
Fundraising	-	-	35,113	35,113	-	-	38,090	38,090
Insurance	19,447	3,975	-	23,421	14,288	4,775	-	19,063
Lab Services	36,673	-	-	36,673	34,986	-	-	34,986
Maintenance	-	-	-	-	-	420	-	420
Meals and Entertainment	-	517	-	517	-	-	-	-
Miscellaneous	-	11,579	-	11,579	249	5,267	-	5,516
Office Cleaning	4,154	-	-	4,154	4,776	-	-	4,776
Postage and Handling	-	2,559	-	2,559	-	3,892	-	3,892
Professional Fees	-	35,911	-	35,911	-	31,875	-	31,875
Rent - Building	61,201	-	-	61,201	61,202	-	-	61,202
Rent - Equipment	524	-	-	524	414	-	-	414
Supplies - Medical	17,628	-	-	17,628	12,579	-	-	12,579
Supplies - Marketing	-	-	-	-	30	-	-	30
Supplies - Office	-	8,593	-	8,593	-	8,328	-	8,328
Utilities	6,895	-	-	6,895	5,104	-	-	5,104
Total Before Depreciation	\$ 748,869	64,504	35,113	848,486	622,220	54,857	38,090	715,167
Depreciation	-	13,671	-	13,671	-	17,677	-	17,677
Total Expenses	<u>\$ 748,869</u>	<u>\$ 78,175</u>	<u>\$ 35,113</u>	<u>\$ 862,157</u>	<u>\$ 622,220</u>	<u>\$ 72,534</u>	<u>\$ 38,090</u>	<u>\$ 732,844</u>

See independent auditors' report and notes to financial statements.

**FAITH FAMILY MEDICAL CLINIC, INC.**  
**Statements of Cash Flows**  
**For the Years Ended June 30, 2006 and 2005**

	<u>2006</u>	<u>2005</u>
<b>Cash Flows from Operating Activities</b>		
<b>Increase (Decrease) in Net Assets</b>	<u>\$ 413,108</u>	<u>\$ (80,686)</u>
Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	13,671	17,677
(Increase) Decrease in Contributions Receivable	(120,250)	109,185
Decrease in Accounts Receivable	5,418	5,542
Increase in Prepaid Expenses	(590)	(932)
Decrease in Other Current Assets	-	1,271
Increase (Decrease) in Accounts Payable	(4,000)	4,469
Increase in Accrued Liabilities	3,867	624
<b>Total Adjustments</b>	<u>(101,884)</u>	<u>137,836</u>
<b>Net Cash Provided by Operating Activities</b>	<u>311,224</u>	<u>57,150</u>
<b>Cash Flows from Investing Activities</b>		
Payments for the Purchase of Certificates of Deposit	<u>(24,885)</u>	<u>(31,064)</u>
<b>Net Cash Used by Investing Activities</b>	<u>(24,885)</u>	<u>(31,064)</u>
<b>Net Increase in Cash and Cash Equivalents</b>	286,339	26,086
<b>Cash and Cash Equivalents - Beginning of Year</b>	<u>246,109</u>	<u>220,023</u>
<b>Cash and Cash Equivalents - End of Year</b>	<u><u>\$ 532,448</u></u>	<u><u>\$ 246,109</u></u>

See independent auditor's report and notes to financial statements.

**FAITH FAMILY MEDICAL CLINIC, INC.**  
**Notes to Financial Statements**  
**June 30, 2006 and 2005**

**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 is a 501(a) corporation exempt from income taxes under Section 501 (c) (3) of the Internal Revenue Code of 1986. 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. Certificates of deposit with original maturities over three months are classified as short-term investments. Short-term investments are stated at cost because that approximates market value.

**F. Accounts Receivable**

Accounts receivable consists of amounts due from Tennessee Breast and Cervical Cancer Early Detection Program for services provided to certain patients of the Clinic. Management considers the balances to be fully collectible based on historical experience. Therefore, an allowance for uncollectible accounts has not been established. Refer to Note N for further program detail. For the years ended June 30, 2006 and 2005, accounts receivable totaled \$0 and \$5,418.

**FAITH FAMILY MEDICAL CLINIC, INC.**  
**Notes to Financial Statements - Continued**  
**June 30, 2006 and 2005**

**Note 1. Summary of Significant Accounting Policies - Continued**

**G. Contributions Receivable**

Contributions receivable are recorded at fair value for all unconditional promises to give. Management has evaluated the collectibility 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.

**H. Property, Plant and Equipment**

Property and equipment are recorded at cost if purchased or fair market value if donated. Depreciation is provided using the straight-line method over the estimated useful lives of the assets ranging from 3 to 10 years. Repairs and maintenance are expensed as incurred.

**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. Income Taxes**

The Clinic 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**

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.

A substantial number of volunteers have donated services to the Clinic's program services and fund-raising campaigns during the year; however, these donated services are not reflected in the financial statements of activities at the fair value.

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

**M. Advertising Costs**

Advertising costs are charged to operations when incurred. Advertising expense was \$141 and \$1,036 for the years ended June 30, 2006 and 2005, respectively.



**FAITH FAMILY MEDICAL CLINIC, INC.**  
**Notes to Financial Statements - Continued**  
**June 30, 2006 and 2005**

**N. Medical Services Revenue**

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

In 2005, the Clinic had an agreement with a third-party payer, Tennessee Breast and Cervical Cancer Early Detection Program, which provided for reimbursement for certain services provided at amounts different from the Clinic's established rates. This program accounted for approximately 12 percent of medical services revenue in the year ended June 30, 2005. At June 30, 2006 the Clinic was not participating in this program.

Services related to the Tennessee Breast and Cervical Cancer Early Detection Program are reimbursed based upon a fee basis, depending on the service. Contractual adjustments are recognized on an estimated basis in the period the related services are rendered and adjusted in future periods as reimbursements are determined.

**Note 2. Concentration of Credit 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 \$100,000. At June 30, 2006 and 2005, the Clinic's cash accounts exceeded the insurance coverage by \$1,389,877 and \$1,180,060.

**Note 3. Contributions Receivable and Temporarily Restricted Net Assets**

The amounts of contributions receivable as of June 30, 2006 and 2005 were as follows:

	<u>2006</u>	<u>2005</u>
Unrestricted	\$ 120,250	\$ -
Temporarily Restricted - Time Restrictions	-	-
	<u>120,250</u>	<u>-</u>
Less:		
Discounts for the Time Value of Money	-	-
Contributions Receivable, Net	<u>\$ 120,250</u>	<u>\$ -</u>

Future collections of contributions as of June 30, 2006 and 2005 were as follows:

	<u>2006</u>	<u>2005</u>
Receivable in Less than One Year	\$ 120,250	\$ 120,250

**Note 4. Operating Lease**

Faith Family Medical Clinic, Inc. leases a medical office building from Baptist Hospital. The building is located at 326 21<sup>st</sup> Avenue North in Nashville, Tennessee. The building consists on 3,400 square feet. The Clinic has negotiated a lease 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 lease expired in September 2002 and continues on a month-to-month basis. The amount of rent expense for the years ended June 30, 2006 and 2005 was \$61,201 and \$61,202, respectively.

**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 year ended June 30, 2006 and 2005 are as follows:

**FAITH FAMILY MEDICAL CLINIC, INC.**  
**Notes to Financial Statements - Continued**  
**June 30, 2006 and 2005**

**Note 5. Donated Property, Equipment and Services - Continued**

<u>Revenues</u>		
	<u>2006</u>	<u>2005</u>
Donated Professional Services	\$ 68,164	\$ 44,126
Donated Rent	61,200	61,200
	<u>\$ 129,364</u>	<u>\$ 105,326</u>
 <u>Expenses</u>		
	<u>2006</u>	<u>2005</u>
Donated Services	\$ 68,164	\$ 44,126
Donated Rent	61,200	61,200
	<u>\$ 129,364</u>	<u>\$ 105,326</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 year ended June 30, 2006 the Clinic funded 6% for all employees who had been with the Clinic for one year for a total of \$18,565.