

# **Siloam Health**

Consolidated Financial Statements  
For the Years Ended June 30, 2023 and 2022

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**Siloam Health**  
Roster of Officials  
As of June 30, 2023

**Board of Directors**

Sammye Woods	Chairman
Gary Bell	Treasurer
Doug Heimburger, MD	Vice Chair
April Savoy	Secretary
Mark Marsden	Board member
Ana Escobar	Board member
Vaugh Frigon, MD	Board member
Brevard Haynes, MD	Board member
Missy Wallace	Board member
Fady Al-Hagal	Board member
Stephen Roberts	Board member
Ryan Wells	Board member
Ann Price, MD	Board member
Eric Keen	Board member
Nancy Youssef	Board member
Todd McKee	Board member
Albert Tsay, CPA	Board member
Shon Dwyer	Board member
Kevon Saber	Board member
Susan Jones	Board member
Quincy Byrdsong	Board member
Raymond Martin III, MD	(EX OFFICIO)

**Executive Management**

Morgan Wills, MD (7/1/22 - 3/10/23)	CEO/President
Katie Richards	CDO, Interim CEO/President
James Henderson, MD	CMO
Laura Camp (7/1/22 – 10/21/23)	COO
Mario Flores	CFO, Interim COO



## Independent Auditor's Report

Board of Directors  
Siloam Health

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the consolidated financial statements of Siloam Health and its subsidiaries, (the Organization), a not-for-profit organization, which comprise the consolidated statements of financial position as of June 30, 2023 and 2022, the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of June 30, 2023 and 2022, 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.

#### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

#### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

#### ***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of expenditures of federal awards and state financial assistance, as required by the State of Tennessee, is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated in all material respects, in relation to the financial statements as a whole.

#### ***Other Information***

Management is responsible for the other information included in the annual report. The other information comprises the roster of officials but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2023, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Organization's internal control over financial reporting and compliance.

*Blankenship CPA Group, PLLC*

Blankenship CPA Group, PLLC  
Nashville, Tennessee  
October 19, 2023

**Siloam Health**  
Consolidated Statements of Financial Position  
For the Years Ended June 30, 2023 and 2022

	2023	2022
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 4,261,499	\$ 3,977,406
Accounts receivable	231,232	567,724
Unconditional promises to give - current, net	347,545	692,554
Inventory	20,067	22,084
Prepaid expenses	82,675	110,515
Total current assets	<u>4,943,018</u>	<u>5,370,283</u>
Unconditional promises to give - noncurrent	44,500	151,583
Investments		
Cash and cash equivalents held by investment firm	36,857	13,727
Securities at fair value	2,356,703	2,180,152
Cash and cash equivalents whose use is limited	1,307,675	1,730,717
Operating lease right-of-use assets	120,760	-
Property and equipment, net	1,913,801	2,017,347
Total assets	<b>\$ 10,723,314</b>	<b>\$ 11,463,809</b>
<b>Liabilities and Net Assets</b>		
Current liabilities		
Accounts payable and accrued expenses	\$ 187,008	\$ 275,581
Accrued compensated absences	185,041	178,347
Operating lease liabilities, current portion	42,823	-
Total current liabilities	<u>414,872</u>	<u>453,928</u>
Operating lease liabilities, net of current portion	74,137	-
Total liabilities	<u>489,009</u>	<u>453,928</u>
Without donor restrictions		
Undesignated	5,975,131	6,033,364
Board-designated	2,393,560	2,193,879
Total without donor restrictions	<u>8,368,691</u>	<u>8,227,243</u>
With donor restrictions	1,865,614	2,782,638
Total net assets	<u>10,234,305</u>	<u>11,009,881</u>
Total liabilities and net assets	<b>\$ 10,723,314</b>	<b>\$ 11,463,809</b>

**Siloam Health**  
Consolidated Statement of Activities  
For the Year Ended June 30, 2023

	<b>Without donor restrictions</b>	<b>With donor restrictions</b>	<b>Total</b>
<b>Public Support and Revenues</b>			
Contributions of cash and other financial assets	\$ 2,795,936	\$ 22,000	\$ 2,817,936
Contributions of nonfinancial assets	861,829	-	861,829
Service contracts	2,295,660	-	2,295,660
Patient fees	875,444	-	875,444
Investment income (loss), net	199,679	-	199,679
Interest income	64,456	-	64,456
Net assets released from restrictions	<u>939,024</u>	<u>(939,024)</u>	<u>-</u>
Total public support and revenues	8,032,028	(917,024)	7,115,004
<b>Expenses</b>			
Program services	6,222,592	-	6,222,592
Management and general	607,099	-	607,099
Fundraising	<u>1,060,889</u>	<u>-</u>	<u>1,060,889</u>
Total expenses	7,890,580	-	7,890,580
Change in net assets	141,448	(917,024)	(775,576)
Net assets, beginning of year	<u>8,227,243</u>	<u>2,782,638</u>	<u>11,009,881</u>
Net assets, end of year	<b>\$ 8,368,691</b>	<b>\$ 1,865,614</b>	<b>\$ 10,234,305</b>

**Siloam Health**  
Consolidated Statement of Activities  
For the Year Ended June 30, 2022

	<b>Without donor restrictions</b>	<b>With donor restrictions</b>	<b>Total</b>
<b>Public Support and Revenues</b>			
Contributions of cash and other financial assets	\$ 3,182,291	\$ 458,570	\$ 3,640,861
Contributions of nonfinancial assets	869,713	-	869,713
Service contracts	1,854,123	-	1,854,123
Patient fees	764,349	-	764,349
Investment income (loss), net	(191,973)	-	(191,973)
Interest income	13,125	-	13,125
Net assets released from restrictions	<u>1,188,653</u>	<u>(1,188,653)</u>	<u>-</u>
Total public support and revenues	7,680,281	(730,083)	6,950,198
<b>Expenses</b>			
Program services	5,549,158	-	5,549,158
Management and general	435,886	-	435,886
Fundraising	<u>926,932</u>	<u>-</u>	<u>926,932</u>
Total expenses	6,911,976	-	6,911,976
Change in net assets	768,305	(730,083)	38,222
Net assets, beginning of year	<u>7,458,938</u>	<u>3,512,721</u>	<u>10,971,659</u>
Net assets, end of year	<b>\$ 8,227,243</b>	<b>\$ 2,782,638</b>	<b>\$ 11,009,881</b>

**Siloam Health**  
Consolidated Statement of Functional Expenses  
For the Year Ended June 30, 2023

	Program services	Supporting Services		Total
		Management and general	Fundraising	
Salaries	\$ 3,286,708	\$ 330,280	\$ 621,032	\$ 4,238,020
Payroll taxes	237,811	25,228	45,175	308,214
Employee benefits	493,070	89,842	77,863	660,775
Accounting	10,487	16,750	-	27,237
Communications	25,776	393	62,115	88,284
Contracted services	47,042	66,257	-	113,299
Depreciation	154,118	6,541	7,016	167,675
Development	-	-	169,573	169,573
Donated patient care	840,283	10,471	11,075	861,829
Dues and licenses	12,085	13,923	7,416	33,424
Facilities	149,702	3,837	4,116	157,655
Insurance	38,785	6,282	2,027	47,094
Interpreter services	75,480	-	-	75,480
Lab fees	204,605	-	-	204,605
Medical and lab supplies	381,843	-	-	381,843
Meeting, workshop, and travel	29,093	24,939	5,135	59,167
Office expense	28,679	625	2,334	31,638
Technology costs	147,401	8,612	25,751	181,764
Telephone	7,579	-	-	7,579
Utilities	36,951	1,372	1,471	39,794
Volunteer development	5,966	-	-	5,966
Contingencies and miscellaneous	9,128	1,747	18,790	29,665
	<b>\$ 6,222,592</b>	<b>\$ 607,099</b>	<b>\$ 1,060,889</b>	<b>\$ 7,890,580</b>

**Siloam Health**  
Consolidated Statement of Functional Expenses  
For the Year Ended June 30, 2022

	Program services	Supporting Services		Total
		Management and general	Fundraising	
Salaries	\$ 2,774,588	\$ 250,546	\$ 551,322	\$ 3,576,456
Payroll taxes	205,123	18,277	40,132	263,532
Employee benefits	398,671	67,824	81,045	547,540
Accounting	8,704	14,412	-	23,116
Communications	1,038	354	84,608	86,000
Contracted services	65,120	300	53,491	118,911
Depreciation	155,314	6,967	7,135	169,416
Development	-	-	56,541	56,541
Donated patient care	854,140	13,950	1,623	869,713
Dues and licenses	12,583	4,043	5,336	21,962
Facilities	124,501	3,009	3,082	130,592
Insurance	36,902	6,271	1,943	45,116
Interpreter services	93,928	-	-	93,928
Lab fees	244,176	-	-	244,176
Medical and lab supplies	340,676	-	-	340,676
Meeting, workshop, and travel	13,878	38,948	3,237	56,063
Office expense	27,896	466	724	29,086
Technology costs	142,748	7,840	15,151	165,739
Telephone	6,938	-	-	6,938
Utilities	32,904	1,262	1,292	35,458
Volunteer development	3,879	-	-	3,879
Contingencies and miscellaneous	5,451	1,417	20,270	27,138
	<b>\$ 5,549,158</b>	<b>\$ 435,886</b>	<b>\$ 926,932</b>	<b>\$ 6,911,976</b>

**Siloam Health**  
Consolidated Statements of Cash Flows  
For the Years Ended June 30, 2023 and 2022

	<b>2023</b>	<b>2022</b>
Cash and cash equivalents, beginning of year	\$ 5,721,850	\$ 5,175,284
<b>Cash flows from operating activities</b>		
Change in net assets	(775,576)	38,222
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	167,675	169,416
Non-cash lease expense	(3,800)	-
Net realized and unrealized (gains) losses on investments	(184,742)	232,436
Contributions restricted for long-term purposes	(22,000)	(382,950)
Change in:		
Accounts receivable	336,492	(367,282)
Unconditional promises to give, net	156,775	152,884
Inventory	2,017	(11,804)
Prepaid expenses	27,840	(64,785)
Accounts payable and accrued expenses	(88,573)	178,700
Accrued compensated absences	6,694	(6,935)
Net cash provided (used) by operating activities	<u>(377,198)</u>	<u>(62,098)</u>
<b>Cash flows from investing activities</b>		
Proceeds from sale of investments	84,466	338,812
Purchases of investments	(76,275)	(473,619)
Purchases of property and equipment	<u>(64,129)</u>	<u>(40,531)</u>
Net cash provided (used) by investing activities	(55,938)	(175,338)
<b>Cash flows from financing activities</b>		
Capital campaign contributions received	317,317	784,002
Net change in cash and cash equivalents	<u>(115,819)</u>	<u>546,566</u>
Cash and cash equivalents, end of year	<b>\$ 5,606,031</b>	<b>\$ 5,721,850</b>
<b>Reconciliation to the consolidated statements of financial position</b>		
Cash and cash equivalents	\$ 4,261,499	\$ 3,977,406
Cash and cash equivalents held by investment firm	36,857	13,727
Cash and cash equivalents whose use is limited	<u>1,307,675</u>	<u>1,730,717</u>
	<b>\$ 5,606,031</b>	<b>\$ 5,721,850</b>

**Siloam Health**  
Notes to Consolidated Financial Statements  
For the Years Ended June 30, 2023 and 2022

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**Note 1. Nature of Activities**

Siloam Health, including its wholly owned subsidiaries (collectively, the Organization) is a faith-based, nonprofit organization that provides affordable, high quality, whole-person health care to the uninsured and underserved in Middle Tennessee as well as health promotion among Nashville's immigrant and refugee populations. Through the Organization's comprehensive medical care and community health programs, the Organization addresses not only the physical health of the people they serve, but their spiritual, emotional, and mental health as well. The Organization also offers mentorship to the next generation of health care providers through its student education initiatives. The Organization's mission is to share the love of Christ by serving those in need through health care.

**Note 2. Summary of Significant Accounting Policies**

**Accounting Principles**

The Organization's consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP). The Financial Accounting Standards Board (FASB) has established the Accounting Standards Codification (ASC) as the sole source of authoritative US GAAP.

**Principles of Consolidation**

The consolidated financial statements include the accounts of Siloam Health and its wholly owned subsidiaries, Siloam Health Services, LLC and Siloam Health Clinics, LLC. All significant intercompany balances and transactions have been eliminated in consolidation.

**Basis of Presentation**

The Organization reports information regarding its financial position and activities according to two classes of net assets based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

Net assets without donor restrictions – 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 its Board of Directors.

Net assets with donor restrictions – Net assets subject to stipulations imposed by donors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. None of the Organization's net assets with donor restrictions are required to be held in perpetuity by the donors at June 30, 2023.

**Use of Estimates**

The preparation of consolidated financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

**Siloam Health**  
Notes to Consolidated Financial Statements  
For the Years Ended June 30, 2023 and 2022

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**Note 2. Summary of Significant Accounting Policies**

**Revenue Recognition**

*Contributions of Cash and Other Financial Assets*

Contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as increases to net assets with donor restrictions. When a restriction is fulfilled (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets are reclassified to net assets without donor restrictions and are reported in the statements of activities as net assets released from restrictions. However, 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.

*Contributions of Nonfinancial Assets*

Contributed services are reflected in the financial statements at the estimated 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.

*Service Contracts*

The Organization has contracts with the state of Tennessee and Catholic Charities of Tennessee, Inc. to perform health care related services, which are reimbursed at agreed upon contractual rates. Such revenue is included in service contracts revenue in the consolidated statement of activities. Revenue is recognized at a point in time as the services are performed and when collectability is reasonably assured.

The Organization recognizes revenues from service contracts related to the state of Tennessee and Catholic Charities of Tennessee, Inc. at the time services are performed based on fees approved under such agreements.

Net receivables from service contracts totaled \$230,289 and \$542,744 at June 30, 2023 and 2022, respectively.

*Patient Fees*

The Organization operates two health clinics in the Melrose and Antioch areas of Nashville. Such revenue is included in patient fees revenue in the consolidated statement of activities. Revenue is recognized at a point in time as the patient receives the benefit of the Organization's services and when collectability is reasonably assured.

Patient services are provided by the Organization at fees based on a sliding scale tied to the federal poverty level. However, no patient is turned away due to inability to pay. Since the Organization does not pursue collection of patient fees, they are recognized as revenue only when received.

*Performance Obligations*

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer and is the unit of account under ASC 606. The transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied. The Organization's contracts with customers do not typically include multiple performance obligations.

**Siloam Health**  
Notes to Consolidated Financial Statements  
For the Years Ended June 30, 2023 and 2022

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**Note 2. Summary of Significant Accounting Policies**

**Revenue Recognition**

*Variable Consideration/Payment Terms*

The Organization's contracts with customers do not result in variable consideration or contract modifications. The Organization's payment terms vary based on the procedure performed and the sliding scale rate. The time between invoicing and when payment is due is not significant. The Organization's contracts with customers do not generally result in significant obligations associated with returns, refunds, or warranties.

*Disaggregation of Revenue*

The consolidated statement of activities depicts the disaggregation of revenue by service for the year. This is consistent with how the Organization evaluates financial performance.

**Cash and Cash Equivalents**

Cash equivalents consist of short-term money market accounts with original maturities of 90 days or less and not invested as part of the investment fund. These amounts are carried at cost, which approximate fair value. Cash and cash equivalents that are part of the investment fund are shown within investments as those resources are not used for daily operating purposes.

Cash and cash equivalents whose use is limited represents funds received and restricted for purposes of general expansion and the opening of an additional satellite location.

**Accounts Receivable**

Accounts receivable consist of amounts due under service contracts and other receivables. Management considers all accounts collectible and, therefore, an allowance for doubtful accounts has not been recognized in the consolidated financial statements.

**Promises to Give**

Unconditional promises to give are recognized as revenues in the period received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

**Inventory**

Inventory represents purchased pharmaceuticals held for use and is stated at the lower of cost or net realizable value. Cost is determined on a first-in, first-out method.

**Investments**

The Organization's investment securities are recorded at fair value if donated and at cost if purchased and adjusted annually to fair value. Realized gains and losses on sales of securities are recognized on the trade date using the specific identification method. Market values are determined based on quoted prices and significant other observable inputs. Realized and unrealized investment earnings are included in investment income on the consolidated statements of activities.

Interest income is recognized as earned. Dividends are recognized on the ex-dividend date.

**Siloam Health**  
Notes to Consolidated Financial Statements  
For the Years Ended June 30, 2023 and 2022

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**Note 2. Summary of Significant Accounting Policies**

**Property and Equipment**

Property and equipment are stated at cost, or fair value at date of donation if contributed, less accumulated depreciation. Expenditures for repairs and maintenance are charged to expense as incurred and additions and improvements that significantly extend the lives of assets are capitalized. Upon the sale or other retirement of depreciable property, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is reflected in operations.

Depreciation is provided using the straight-line method over the estimated useful lives of the depreciable assets.

**Income Taxes**

The Organization is exempt from income tax under Internal Revenue Code (IRC) section 501(c)(3), though it is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the IRC. The Organization has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; to determine its filing and tax obligations in jurisdictions for which it has nexus; and to identify and evaluate other matters that may be considered tax positions. The Organization has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements.

**Fair Value Measurements**

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. US GAAP establishes a fair value hierarchy as described below:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 – Inputs other than quoted prices with Level 1 that are observable for the asset or liability, either directly or indirectly through corroboration with observable data.

Level 3 – Inputs that are observable for the asset or liability and include situations where there is little, if any, market activity for the asset or liability. These inputs into the determination of value are based upon the best information in the circumstances and may require significant management judgment or estimation.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The Organization's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

**Functional Allocation of Expenses**

The costs of providing program and other activities have been summarized on a functional basis in the consolidated statements of activities. While most costs have been directly assigned to a functional category, certain joint costs have been allocated among program services and supporting services benefited. Such allocations are determined by management on an equitable basis. Expenses that are allocated consist primarily of salaries and wages, which are allocated based on time and effort.

**Siloam Health**  
Notes to Consolidated Financial Statements  
For the Years Ended June 30, 2023 and 2022

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**Note 2. Summary of Significant Accounting Policies**

**Leases (New Accounting Standard Adopted in 2023)**

In February 2016, FASB issued ASC Topic 842, *Leases*, to increase transparency and comparability among organizations related to their leasing arrangements. The update requires lessees to recognize most leases on their statements of financial position as a right-of-use (ROU) asset, representing the right to use an underlying asset and a lease liability representing the obligation to make lease payments over the lease term, measured on a discounted basis. Topic 842 also requires additional disclosure of key quantitative and qualitative information for leasing arrangements. Similar to the previous lease guidance, the update retains a distinction between finance leases (similar to capital leases in Topic 840, *Leases*) and operating leases, with classification affecting the pattern of expense recognition in the income statement. The Organization adopted Topic 842 on July 1, 2022, using the optional transition method to the modified retrospective approach, which eliminates the requirement to restate the prior period financial statements. Under this transition provision, the Organization has applied Topic 842 to reporting periods beginning on July 1, 2022, while prior periods continue to be reported and disclosed in accordance with the Organization's historical accounting treatment under ASC Topic 840, *Leases*.

The Organization elected the "package of practical expedients" under the transition guidance within Topic 842, in which the Organization does not reassess (1) the historical lease classifications, (2) whether any existing contracts at transition are or contain leases, or (3) the initial direct costs for any existing leases. The Organization has not elected to adopt the "hindsight" practical expedient and, therefore will measure the ROU asset and lease liability using the remaining portion of the lease term upon adoption of ASC 842 on July 1, 2022.

The Organization determines if an arrangement is or contains a lease at inception, which is the date on which the terms of the contract are agreed to, and the agreement creates enforceable rights and obligations. A contract is or contains a lease when (i) explicitly or implicitly identified assets have been deployed in the contract, and (ii) the Organization obtains substantially all of the economic benefits from the use of that underlying asset and directs how and for what purpose the asset is used during the term of the contract. The Organization also considers whether its service arrangements include the right to control the use of an asset.

The Organization made an accounting policy election available under Topic 842 not to recognize ROU assets and lease liabilities for leases with a term of 12 months or less. For all other leases, ROU assets and lease liabilities are measured based on the present value of future lease payments over the lease term at the commencement date of the lease (or July 1, 2022, for existing leases upon the adoption of Topic 842). The ROU assets also include any initial direct costs incurred and lease payments made at or before the commencement date and are reduced by any lease incentives. To determine the present value of lease payments, the Organization made an accounting policy election available to non-public companies to utilize a risk-free borrowing rate, which is aligned with the lease term at the lease commencement date (or remaining term for leases existing upon the adoption of Topic 842).

Future lease payments may include fixed rent escalation clauses or payments that depend on an index (such as the consumer price index), which is initially measured using the index or rate at lease commencement. Subsequent changes of an index and other periodic market rate adjustments to base rent are recorded in variable lease expense in the period incurred. Residual value guarantees or payments for terminating the lease are included in the lease payments only when it is probable they will be incurred.

**Siloam Health**  
Notes to Consolidated Financial Statements  
For the Years Ended June 30, 2023 and 2022

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**Note 2. Summary of Significant Accounting Policies**

**Leases (New Accounting Standard Adopted in 2023)**

The Organization has made an accounting policy election to use the risk-free rate as the discount rate if the rate implicit in the lease is not readily determinable for machinery and equipment. The risk-free rate is the rate of a zero coupon US Treasury instrument for the same period of time as the lease term.

Adoption of Topic 842 resulted in the recording of additional ROU assets and lease liabilities related to the Organization's operating leases of \$28,170 at July 1, 2022. The adoption of the new lease standard did not materially impact net earnings or cash flows and did not result in a cumulative-effect adjustment to the opening balance of net assets.

**Note 3. Liquidity and Availability**

Financial assets available for general expenditure, that is, without donor restrictions or other restrictions limiting their use within one year of the consolidated statement of financial position comprise the following:

Financial assets	<b>2023</b>	<b>2022</b>
Cash and cash equivalents	\$ 4,261,499	\$ 3,977,406
Cash and cash equivalents held by investment firm	36,857	13,727
Cash and cash equivalents whose use is limited	1,307,675	1,730,717
Accounts receivable	231,232	567,724
Unconditional promises to give, net	392,045	844,137
Investment securities at fair value	<u>2,356,702</u>	<u>2,180,152</u>
Total financial assets at year-end	8,586,010	9,313,863
Less amounts not available to be used within one year		
Net assets restricted for specific programs	(165,894)	(207,784)
Net assets restricted for time	(392,045)	(844,137)
Cash and cash equivalents whose use is limited	(1,307,675)	(1,730,717)
Board-designated net assets	<u>(2,393,560)</u>	<u>(2,193,879)</u>
Financial assets available to meet cash needs for general expenditures within one year	<b>\$ 4,326,836</b>	<b>\$ 4,337,346</b>

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 program service activities as well as the conduct of services undertaken to support those activities to be general expenditures.

**Siloam Health**  
Notes to Consolidated Financial Statements  
For the Years Ended June 30, 2023 and 2022

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**Note 4. Accounts Receivable**

Accounts receivable consist of the following:

	<b>2023</b>	<b>2022</b>
Service contracts	\$ 230,289	\$ 542,744
Other	<u>943</u>	<u>24,980</u>
	<b>\$ 231,232</b>	<b>\$ 567,724</b>

**Note 5. Unconditional Promises to Give**

Unconditional promises to give are as follows:

	<b>2023</b>	<b>2022</b>
Less than one year	\$ 347,545	\$ 692,554
In one to five years	<u>44,500</u>	<u>151,583</u>
	<b>\$ 392,045</b>	<b>\$ 844,137</b>

Management determined that no allowance for uncollectible promises to give was necessary as of year-end.

The Organization began a capital campaign called "Comprehensive Campaign" in 2020 to raise funds to finance an additional satellite location and general expansion. The total contributions pledged for the capital campaign for the years ended June 30, 2023 and 2022 were \$22,000 and \$382,950, respectively. Total pledged campaign contributions received for the years ended June 30, 2023 and 2022 were \$317,317 and \$784,002. As of June 30, 2023 and 2022, the outstanding pledge balances totaled \$285,304 and \$653,370, respectively, which are included in unconditional promises to give. Contributions received during the campaign and unused for the additional satellite location total \$1,307,675 and \$1,730,717 as of June 30, 2023 and 2022, respectively, and are presented as cash and cash equivalents whose use is limited.

**Note 6. Investments and Board-designated Reserves Fund**

The Organization's board-designated reserves investment policy centers on the preservation of its long-term real purchasing power while providing a relatively predictable and increasing stream of annual distributions when needed to supplement the financial needs of the Organization. The Organization targets a diverse asset allocation that places an emphasis on marketable equity and fixed income securities within prudent risk constraints. The fund is managed by an investment advisor and held by an investment firm.

The Organization's spending policy allows the Board to authorize disbursements up to 5% of the total value of the fund annually for the use in operating activities. No funds were disbursed from the fund during the year.

**Siloam Health**  
Notes to Consolidated Financial Statements  
For the Years Ended June 30, 2023 and 2022

**Note 6. Investments and Board-designated Reserves Fund**

The board-designated reserves fund is summarized as follows:

	<b>2023</b>	<b>2022</b>
Cash and cash equivalents	\$ 36,857	\$ 13,727
Common stock	1,512,043	1,361,696
Corporate bonds	752,146	734,178
Exchange traded funds	<u>92,514</u>	<u>84,278</u>
	<b>\$ 2,393,560</b>	<b>\$ 2,193,879</b>

The changes in board-designated net assets for the year is summarized as follows:

	<b>2023</b>	<b>2022</b>
Balance, beginning of year	\$ 2,193,879	\$ 2,385,852
Investment return		
Realized and unrealized gains (losses)	176,542	(232,436)
Dividend and interest income	62,385	58,081
Investment fees	<u>(16,454)</u>	<u>(17,618)</u>
	2,416,352	2,193,879
Appropriation for expenditure	<u>(22,792)</u>	<u>-</u>
Balance, end of year	<b>\$ 2,393,560</b>	<b>\$ 2,193,879</b>

**Note 7. Fair Value Measurements**

The classification of the Organization's investment securities at fair value are as follows at June 30, 2023:

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Cash equivalents	\$ 36,857	\$ -	\$ -	\$ 36,857
Common stock	1,512,043	-	-	1,512,043
Corporate bonds	-	752,146	-	752,146
Exchange traded funds	<u>92,514</u>	<u>-</u>	<u>-</u>	<u>92,514</u>
Total assets at fair value	<b>\$ 1,641,413</b>	<b>\$ 752,146</b>	<b>\$ -</b>	<b>\$ 2,393,560</b>

The classification of the Organization's investment securities at fair value are as follows at June 30, 2022:

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Cash equivalents	\$ 13,727	\$ -	\$ -	\$ 13,727
Common stock	1,361,696	-	-	1,361,696
Corporate bonds	-	734,178	-	734,178
Exchange traded funds	<u>84,278</u>	<u>-</u>	<u>-</u>	<u>84,278</u>
Total assets at fair value	<b>\$ 1,459,701</b>	<b>\$ 752,146</b>	<b>\$ -</b>	<b>\$ 2,193,879</b>

The Organization uses the market approach to determine the fair value of investments measured using Level 2 inputs.

**Siloam Health**  
Notes to Consolidated Financial Statements  
For the Years Ended June 30, 2023 and 2022

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**Note 8. Property and Equipment**

Property and equipment consist of the following major classifications:

	<b>2023</b>	<b>2022</b>
Land	\$ 291,560	\$ 291,560
Building	2,466,220	2,458,027
Furniture and equipment	1,033,594	999,849
Leasehold improvements	<u>301,814</u>	<u>299,643</u>
	4,093,188	4,049,079
Less: accumulated depreciation	<u>(2,179,387)</u>	<u>(2,031,732)</u>
	<b>\$ 1,913,801</b>	<b>\$ 2,017,347</b>

**Note 9. Net Assets with Donor Restrictions**

Net assets with donor restrictions consist of the following:

	<b>2023</b>	<b>2022</b>
Building Maintenance Fund	\$ 155,421	\$ 162,316
Time restriction	392,045	844,137
Comprehensive Campaign	1,307,675	1,730,717
Community health services	-	44,996
Other	<u>10,473</u>	<u>472</u>
	<b>\$ 1,865,614</b>	<b>\$ 2,782,638</b>

**Note 10. Pension Plan**

The Organization has a Savings Incentive Match Plan for Employees (SIMPLE) pension plan covering substantially all full-time employees. During the year, the Organization matched employee contributions up to 3% of qualifying compensation. The Organization's contributions under this plan totaled \$81,569 and \$70,335 for the years ended June 30, 2023 and 2022, respectively.

**Note 11. Contributions of Nonfinancial Assets**

A summary of contributions of nonfinancial assets received and included as contributions and expenses in the consolidated statements of activities is as follows:

	<b>2023</b>	<b>2022</b>
Medical volunteer services	\$ 274,682	\$ 300,803
Medical services and supplies	<u>587,147</u>	<u>568,910</u>
	<b>\$ 861,829</b>	<b>\$ 869,713</b>

Unless otherwise noted, the Organization did not recognize any contributions of nonfinancial assets with donor imposed restrictions. Contributed medical volunteer services comprise time spent by physicians, nurses, pharmacists, and medical support personnel to serve patients of the Organization. Contributed medical volunteer services are valued and reported at their estimated fair value based on current rates for similar medical personnel.

**Siloam Health**  
Notes to Consolidated Financial Statements  
For the Years Ended June 30, 2023 and 2022

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**Note 11. Contributions of Nonfinancial Assets**

Contributed medical services and supplies represent goods and services including, but not limited to, hospital and laboratory testing and pharmaceutical supplies that were provided to the Organization at little or no cost to the Organization or to the patient. The contributed services and supplies are valued and reported at their estimated fair value in the consolidated financial statements based on current rates for similar services and supplies.

**Note 12. Concentrations**

The Organization maintains cash and cash equivalent accounts at various financial institutions which may at times exceed federally insured amounts and which may also exceed consolidated statements of financial position amounts due to outstanding checks. Cash in excess of federally insured limits totaled \$1,769,332 and \$3,497,630 as of June 30, 2023 and 2022, respectively. The Organization has not experienced any losses on such accounts and believes it is not exposed to any significant credit risks on cash.

As of years ended June 30, 2023 and 2022, receivables from two service contracts represented 99% and 96%, respectively, of the Organization's total accounts receivable.

Unconditional promises to give from two donors represented approximately 53% of the balance outstanding at June 30, 2023, and three donors represented approximately 38% of the balance outstanding at June 30, 2022.

**Note 13. Leases**

The Organization leases clinical space under an operating lease agreement with an initial term of 3 years with a renewal option. The operating lease generally does not contain any material restrictive covenants or residual value guarantees. Operating lease cost is recognized on a straight-line basis over the lease term. Total operating lease cost for the years ended June 30, 2023 and 2022 were \$42,600, respectively.

Supplemental cash flow information related to leases is as follows for the year ended June 30, 2023:

Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash outflows – payments on operating leases	\$ 43,600
Right-of-use assets obtained in exchange for new lease obligations:	
Operating leases	\$ 120,760

Supplemental statement of financial position information related to leases is as follows as of June 30, 2023:

Operating lease	
Operating lease right-of-use assets	\$ 120,760
Operating lease liabilities, current portion	\$ 42,823
Operating lease liabilities, net of current portion	<u>74,137</u>
Total operating lease liabilities	<b>\$ 116,960</b>

**Siloam Health**  
Notes to Consolidated Financial Statements  
For the Years Ended June 30, 2023 and 2022

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Note 13. **Leases**

Weighted-average remaining lease term	
Operating lease	2.58 years
Weighted-average discount rate	
Operating lease	2.85%

Future undiscounted cash flows for the next five years and thereafter, and a reconciliation to the lease liabilities recognized on the statement of financial position are as follows as of June 30, 2023:

<b>Years ending June 30,</b>	<b>Operating Leases</b>
2024	\$ 45,600
2025	45,600
2026	<u>30,400</u>
Total lease payments	121,600
Less imputed interest	<u>(4,640)</u>
Total present value of lease liabilities	<b>\$ 116,960</b>

Future minimum lease commitments, as determined under Topic 840, for all noncancelable leases as of June 30, 2022 total \$28,400 for the year ended June 30, 2023.

Note 14. **Subsequent Events**

Management has evaluated subsequent events through October 19, 2023, the date on which the financial statements were available for issuance.

## **Supplementary Information**

**Siloam Health**  
 Schedule of Expenditures of Federal Awards and State Financial Assistance  
 For the Year Ended June 30, 2023

Grantor / Pass-through Grantor	Program name	Assistance Listing Number	Contract number	Expenditures
<b>Federal Awards</b>				
US Department of Health and Human Services / Tennessee Department of Health /	COVID-19 - Immunization Cooperative Agreements	93.268	Z-22-246232	\$ 229,069
Tennessee Department of Health / Tennessee Charitable Care Network	COVID-19 - Immunization Cooperative Agreements	93.268	n/a	<u>33,414</u>
Total federal awards				262,483
<b>State Financial Assistance</b>				
Tennessee Department of Health	Safety Net Quality Improvement Incentive Program		34352-16723	<u>729,062</u>
Total state financial assistance				729,062
Total federal awards and state financial assistance				<b>\$ 991,545</b>

**Notes to Schedule of Expenditures of Federal Awards and State Financial Assistance**

**Note 1. Basis of Presentation**

This schedule was prepared on the accrual basis of accounting in accordance with the format prescribed by the Tennessee Comptroller of the Treasury Division of Local Government Audit.

**Note 2. Indirect Cost Rate**

The Organization did not elect to use the 10% de minimis indirect cost rate.



**Independent Auditor's Report on Internal Control Over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance With *Government Auditing Standards***

Board of Directors  
Siloam Health

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the consolidated financial statements of Siloam Health and its subsidiaries, (the Organization), a not-for-profit organization, which comprise the consolidated statement of financial position as of June 30, 2023, 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 (collectively, the financial statements) as listed in the table of contents, and have issued our report thereon dated October 19, 2023.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances, for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Organization's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Blankenship CPA Group, PLLC*

Blankenship CPA Group, PLLC  
Nashville, Tennessee  
October 19, 2023

**Siloam Health**  
Schedule of Findings and Responses  
For the Year Ended June 30, 2023

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**Section I. Summary of Auditor's Results**

*Financial Statements*

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with US GAAP	Unmodified
Internal control over financial reporting	
Material weakness identified?	No
Significant deficiency identified?	None reported
Noncompliance material to financial statements noted?	No

**Section II. Financial Statement Findings**

None

**Siloam Health**  
Summary Schedule of Prior Year Findings  
For the Year Ended June 30, 2023

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**Financial Statement Findings**

<b>Finding Number</b>	<b>Finding Title</b>	<b>Status</b>
N/A	There were no prior findings reported	N/A

**Federal Award Findings and Questioned Costs**

<b>Finding Number</b>	<b>Finding Title</b>	<b>Status</b>
N/A	There were no prior findings reported	N/A