

**INTERFAITH DENTAL CLINIC OF NASHVILLE**  
**Financial Statements**  
**June 30, 2006 and 2005**

**Contents**

	<u>Page</u>
Independent Auditors' Report	1
Statements of Financial Position	2
Statements of Activities	3
Statements of Functional Expenses	4
Statements of Cash Flows	5
Notes to Financial Statements	6

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### Independent Auditors' Report

To the Board of Directors of  
Interfaith Dental Clinic of Nashville

We have audited the accompanying statements of financial position of Interfaith Dental Clinic of Nashville (a nonprofit organization) as of June 30, 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 Interfaith Dental Clinic of Nashville 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*

September 29, 2006

## INTERFAITH DENTAL CLINIC OF NASHVILLE

## Statements of Financial Position

June 30, 2006 and 2005

	2006	2005
<b>Assets</b>		
<b>Current Assets</b>		
Cash	\$ 209,323	\$ 229,327
Patient Accounts Receivable, Net of Allowance of \$16,532 in 2006 and \$12,531 in 2005	43,425	38,366
Capital Campaign Contributions Receivable	186,819	453,250
Other Contributions Receivable, Net of Allowance of \$7,238 in 2005 and \$10,576 in 2004	214,778	349,246
Prepaid Insurance	2,089	-
Total Current Assets	<u>656,434</u>	<u>1,070,189</u>
<b>Property &amp; Equipment</b>		
Building	1,170,428	710,345
Building Improvements	-	64,183
Dental Equipment	313,082	147,963
Office Equipment	37,948	45,981
Donated Equipment	29,994	49,299
Land	143,453	143,453
	<u>1,694,905</u>	<u>1,161,224</u>
Less: Accumulated Depreciation	(330,676)	(341,106)
Total Property & Equipment	<u>1,364,229</u>	<u>820,118</u>
<b>Other Assets</b>		
Restricted Cash and Investments	198,335	176,017
Beneficial Interest in Agency Endowment Fund Held by the Community Foundation of Middle Tennessee	6,959	6,348
Total Other Assets	<u>205,294</u>	<u>182,365</u>
Total Assets	<u>\$ 2,225,957</u>	<u>\$ 2,072,672</u>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts Payable	\$ 21,871	\$ 26,285
Accrued Salaries, Wages, Payroll Deductions Withheld & Taxes	31,626	21,722
Patient Credits	3,035	4,080
Accrued Income Taxes	-	984
Total Current Liabilities	<u>56,532</u>	<u>53,071</u>
<b>Net Assets</b>		
<b>Unrestricted Net Assets</b>		
Unrestricted	1,787,729	1,300,732
Board Designated for Beneficial Interest	6,959	6,348
Total Unrestricted Net Assets	<u>1,794,688</u>	<u>1,307,080</u>
<b>Temporarily Restricted Net Assets</b>	<u>374,737</u>	<u>712,521</u>
Total Net Assets	<u>2,169,425</u>	<u>2,019,601</u>
Total Liabilities and Net Assets	<u>\$ 2,225,957</u>	<u>\$ 2,072,672</u>

See independent auditors' report and notes to financial statements.

**INTERFAITH DENTAL CLINIC OF NASHVILLE**  
**Statements of Activities**  
**For the Years Ended June 30, 2006 and 2005**

	<u>2006</u>	<u>2005</u>
<b>Unrestricted Net Assets</b>		
<b>Revenue</b>		
Patient Fees	\$ 313,675	\$ 270,655
Rent Income	-	43,776
Investment Income	475	367
Interest and Dividend Income	1,755	875
Miscellaneous Income	-	535
<b>Support</b>		
United Way	114,627	125,048
Government Grant	24,950	25,000
Individual and Foundation Contributions	235,327	284,903
Corporate Contributions	36,453	24,828
Church Contributions	19,885	20,203
Bleaching	45,600	35,325
Christmas Cards	10,900	8,875
Gala	62,315	54,462
Other Special Events	1,000	500
Nitrous, Net	2,962	4,673
Donated Professional Services	275,296	225,164
Donated Supplies and Equipment	12,587	17,433
Total Revenue and Support	<u>1,157,807</u>	<u>1,142,622</u>
<b>Net Assets Released from Restrictions</b>		
Capital Campaign Restrictions Satisfied by Payments	796,201	57,879
Total Unrestricted Revenue, Support, and Reclassifications	<u>1,954,008</u>	<u>1,200,501</u>
<b>Expenses</b>		
Dental Services	1,148,226	1,030,781
Management and General	23,208	15,994
Operational Fundraising	145,328	145,025
Capital Campaign	142,728	57,879
Tenant	6,910	29,639
Total Expenses	<u>1,466,400</u>	<u>1,279,318</u>
Increase (Decrease) in Unrestricted Net Assets	<u>487,608</u>	<u>(78,817)</u>
<b>Temporarily Restricted Net Assets</b>		
Capital Campaign	439,660	594,383
Interest and Dividend Income	4,291	2,982
Investment Income	14,466	10,162
Net Assets Released from Restrictions	<u>(796,201)</u>	<u>(57,879)</u>
(Decrease) Increase in Temporarily Restricted Net Assets	<u>(337,784)</u>	<u>549,648</u>
<b>Increase in Net Assets</b>	\$ 149,824	\$ 470,831
<b>Net Assets - Beginning of Year</b>	<u>2,019,601</u>	<u>1,548,770</u>
<b>Net Assets - End of Year</b>	<u>\$ 2,169,425</u>	<u>\$ 2,019,601</u>

See independent auditors' report and notes to financial statements.

**INTERFAITH DENTAL CLINIC OF NASHVILLE**  
**Statements of Functional Expenses**  
**For the Years Ended June 30, 2006 and 2005**

	2006						2005					
	Supporting Services						Supporting Services					
	Dental Services	Management and General	Operational Fundraising	Capital Campaign	Tenant	Total	Dental Services	Management and General	Operational Fundraising	Capital Campaign	Tenant	Total
Accounting	\$ 5,734	\$ 521	\$ 521	\$ -	\$ -	\$ 6,776	\$ 3,282	\$ 177	\$ 59	\$ -	\$ 2,365	\$ 5,914
Bad Debt	15,718	-	-	-	-	15,718	16,180	-	-	-	-	16,180
Non-capitalized Construction Costs	-	-	-	130,261	-	130,261	-	-	-	30,635	-	30,635
Capital Campaign Fundraising	-	-	-	42,467	-	42,467	-	-	-	27,244	-	27,244
Continuing Education & Memberships	3,159	132	-	-	-	3,291	4,007	236	-	-	-	4,293
Dental Lab	53,164	-	-	-	-	53,164	55,762	-	-	-	-	55,762
Dental Supplies	47,018	-	-	-	-	47,018	39,400	-	-	-	-	39,400
Depreciation	56,302	-	-	-	-	56,302	29,935	1,568	764	-	8,233	39,590
Donated Dental Supplies	9,555	-	-	-	-	9,555	8,401	-	-	-	-	8,401
Donated Office Supplies	-	-	-	-	-	-	543	30	18	-	-	590
Donated Professional Services	275,296	-	-	-	-	275,296	224,944	-	-	-	-	224,944
Employee Advertising	366	183	-	-	-	549	500	-	-	-	-	500
Exterior Custodial Related Expenses	-	-	-	-	-	-	57	3	2	-	41	103
Fundraising Expenses	-	-	1,002	-	-	1,002	-	-	8,601	-	-	8,601
Income Taxes	-	-	-	-	-	-	-	-	-	-	3,423	3,423
Insurance	7,319	1,652	91	-	-	9,062	14,108	3,126	159	-	-	17,393
Interior Custodial Related Expenses	2,833	156	78	-	-	3,116	4,260	231	139	-	-	4,630
Loss on Disposal of Assets	57,720	-	-	-	-	57,720	-	-	-	-	-	-
Merchant Card Fees & Rental	1,986	-	1,986	-	-	3,972	1,864	-	1,864	-	-	3,728
Miscellaneous	536	133	-	-	-	669	2,186	547	-	-	-	2,733
Office Supplies	2,458	136	115	-	-	2,710	3,350	162	109	-	-	3,541
Payroll Taxes & Benefits	88,179	2,545	15,299	-	-	106,023	93,444	1,099	15,138	-	253	109,935
Postage and Handling	815	204	3,870	-	-	4,888	855	356	4,439	-	-	5,701
Printing	1,438	288	8,121	-	-	9,845	1,616	424	7,270	-	-	9,289
Professional Services	9,343	-	-	-	-	9,343	9,523	-	-	-	-	9,523
Property Taxes	-	-	-	-	6,910	6,910	-	-	-	-	6,831	6,831
Repairs & Maintenance	2,604	195	2	-	-	3,001	9,215	115	53	-	1,449	10,837
Salaries	481,319	13,889	53,509	-	-	578,717	486,455	5,747	79,130	-	1,322	574,652
Security	243	12	7	-	-	264	449	24	15	-	-	468
Special Events	-	-	27,703	-	-	27,703	-	-	24,378	-	-	24,378
Support, Repairs & Maintenance	7,470	957	1,410	-	-	9,666	5,931	847	1,635	-	-	8,473
Telephone and Internet	3,934	1,011	1,011	-	-	5,956	3,448	768	768	-	-	4,984
Utilities	12,949	1,126	564	-	-	14,639	7,938	429	215	-	5,722	14,304
Volunteer and Employee Recognition	517	40	40	-	-	597	2,258	54	108	-	-	2,420
<b>Total Expenses</b>	<b>\$ 1,148,226</b>	<b>\$ 23,203</b>	<b>\$ 145,328</b>	<b>\$ 142,728</b>	<b>\$ 6,910</b>	<b>1,466,401</b>	<b>\$ 1,030,781</b>	<b>\$ 15,924</b>	<b>\$ 145,025</b>	<b>\$ 57,879</b>	<b>\$ 29,639</b>	<b>\$ 1,279,318</b>

See independent auditors' report and notes to financial statements.

**INTERFAITH DENTAL CLINIC OF NASHVILLE**  
**Statements of Cash Flows**  
**For the Years Ended June 30, 2005 and 2004**

	<u>2006</u>	<u>2005</u>
<b>Cash Flows from Operating Activities</b>		
Increase in Net Assets	\$ 149,824	\$ 470,831
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	56,302	39,590
(Increase) Decrease in Patient Accounts Receivable	(5,059)	15,132
Decrease (Increase) in Contributions Receivable	400,899	(445,447)
(Increase) in Prepaid Insurance	(2,089)	-
Increase in Donated Property & Equipment	(1,100)	(8,443)
Unrealized Gain on Marketable Securities	(12,415)	(11,416)
(Increase) in Beneficial Interest in Agency Endowment Fund	(611)	(488)
(Decrease) Increase in Accounts Payable	(4,414)	13,600
Increase (Decrease) in Accrued Liabilities	8,920	(2,700)
(Decrease) Increase in Patient Credits	(1,045)	(2,499)
Loss From Disposal of Assets	57,720	-
Total Adjustments	<u>497,108</u>	<u>(402,671)</u>
Net Cash Provided by Operating Activities	<u>646,932</u>	<u>68,160</u>
<b>Cash Flows from Investing Activities</b>		
Payments for the Purchase of Marketable Securities, Net of Fees	(9,902)	(1,728)
Payments for the Purchase of Property & Equipment	(657,034)	(2,209)
Net Cash Used by Investing Activities	<u>(666,936)</u>	<u>(3,937)</u>
<b>Net Increase in Cash</b>	(20,004)	64,223
<b>Cash - Beginning of Year</b>	<u>229,327</u>	<u>165,104</u>
<b>Cash - End of Year</b>	<u>\$ 209,323</u>	<u>\$ 229,327</u>
<b>Supplemental Cash Flow Disclosures:</b>		
Interest Paid	\$ <u>1,969</u>	\$ <u>-</u>
<b>Non-cash Disclosures:</b>		
Donated Property and Equipment	\$ <u>1,100</u>	\$ <u>8,443</u>

See independent auditors' report and notes to financial statements.

**INTERFAITH DENTAL CLINIC OF NASHVILLE**  
**Notes to Financial Statements**  
**June 30, 2006 and 2005**

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

**A. Organization and Nature of Activities**

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

**B. Basis of Accounting**

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

**C. Financial Statement Presentation**

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

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

Temporarily Restricted Net Assets - Not assets subject to donor-imposed restrictions that may or will be met, either by actions of the Organization and/or the passage of time.

**D. Estimates**

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

**E. Cash and Cash Equivalents**

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

**F. Contributions Receivable**

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

**G. Investments**

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

**H. Property, Plant and Equipment**

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

**I. Contributed Property and Equipment**

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

**INTERFAITH DENTAL CLINIC OF NASHVILLE**  
**Notes to Financial Statements - Continued**  
**June 30, 2006 and 2005**

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

**J. Income Taxes**

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

**K. Functional Expenses**

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

**L. Contributions**

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

**M. Contributed Services**

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

**N. Patient Fees**

Fees are charged to the patients on a sliding scale based on their ability to pay according to the Federal Poverty Guidelines for Tennessee. Market value for services performed during 2006 and 2005 were \$1,304,686 and \$1,342,683. The discount between market value and patient fees recognized fluctuates with patient mix.

**O. Agency Endowment Fund**

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

**P. Reclassifications**

Certain reclassifications have been made to the financial statements as of and for the year ended June 30, 2005 to conform with the June 30, 2006 presentation.

**Note 2. Investments**

The Clinic holds investments of cash contributed to the 1998 Building Fund in various short-term equity securities and cash. These investments are carried at the fair market value determined on June 30, 2006 and 2005 using quoted market prices. The investments are as follows:

	<u>2006</u>	<u>2005</u>
Money Market	\$ 35,182	\$ 2,594
Mutual Funds	163,153	173,423
	<u>\$ 198,335</u>	<u>\$ 176,017</u>



**INTERFAITH DENTAL CLINIC OF NASHVILLE**  
**Notes to Financial Statements - Continued**  
**June 30, 2006 and 2005**

**Note 3. Contributions Receivable**

Unconditional promises to give are recorded as follows:

	<u>2006</u>	<u>2005</u>
Capital Campaign Contributions Receivable	\$ 279,791	\$ 453,250
Other Contributions Receivable	129,045	358,367
Subtotal Contributions Receivable	\$ 408,835	811,617
Less:		
Discounts for the Time Value of Money	(7,238)	(9,121)
Contributions Receivable, Net	<u>\$ 401,598</u>	<u>\$ 802,496</u>

Anticipated future collections of contributions receivable are as follows:

	<u>2006</u>	<u>2005</u>
Receivable in Less than One Year	\$ 186,819	\$ 601,382
Receivable in One to Five Years	222,016	210,235
Total Contributions Receivable-Unrestricted	<u>408,836</u>	<u>\$ 811,617</u>

**Note 4. Contributed Property, Equipment and Services**

Donated property, equipment and services are used in the ongoing operations of the Clinic. The value of donated property, equipment and services included in the financial statements and the corresponding expenditure or asset capitalization for the year ended June 30, 2006 and 2005 are as follows:

**Revenues**

	<u>2006</u>	<u>2005</u>
Donated Professional Services	\$ 275,296	\$ 225,164
Donated Supplies & Equipment	12,589	17,433
	<u>\$ 287,885</u>	<u>\$ 242,597</u>

**Expenses**

	<u>2006</u>	<u>2005</u>
Donated Professional Dental Services	\$ 275,296	\$ 224,944
Dental Supplies	9,555	8,400
Office Supplies and Services	-	590
Repairs and Maintenance	1,934	220
Property	1,100	8,443
	<u>\$ 287,885</u>	<u>\$ 242,597</u>

**Note 6. Beneficial Interest in Agency Fund Endowment**

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

**INTERFAITH DENTAL CLINIC OF NASHVILLE**  
**Notes to Financial Statements - Continued**  
**June 30, 2006 and 2005**

**Note 6. Beneficial Interest in Agency Fund Endowment – Continued**

A schedule of the changes in the Clinic's beneficial interest in this fund for the years ended June 30, 2006 and 2005 is as follows:

	<u>2006</u>	<u>2005</u>
Beneficial Interest - Beginning of Year	\$ 6,348	\$ 5,860
Change in Value of Beneficial Interest:		
Contributions to the Fund	-	-
Realized Gain (Loss)	74	226
Unrealized Gain	397	141
Interest and Dividends	184	162
Administrative Expenses	<u>(44)</u>	<u>(41)</u>
	611	488
Distributions	<u>-</u>	<u>-</u>
Beneficial Interest - End of Year	<u>\$ 6,959</u>	<u>\$ 6,348</u>

**Note 7. Temporarily Restricted Net Assets**

Temporarily restricted net assets are available for the following purpose as of June 30, 2006 and 2005:

	<u>2006</u>	<u>2005</u>
Capital Campaign	\$ 176,402	\$ 712,521
1998 Building Fund	198,335	-
	<u>\$ 374,737</u>	<u>\$ 712,521</u>

**Note 8. Retirement Plan**

The Clinic maintains a Defined Contribution 401(k) Retirement Plan for all eligible employees. Employees age 21 or older become eligible to participate in the plan after thirty days of continuous service. The plan allows participants to contribute a portion of their earnings up to the maximum amount allowable under the Internal Revenue Code each year. The Clinic contributes 8% of a participant's annual salary in matching contributions after one year of continuous service. Matching contributions of \$28,589.06 and \$32,163 were made by the Clinic during the years ended June 30, 2006 and 2005. The Clinic may also make discretionary contributions to the retirement plan. No discretionary contributions to the plan were made during the years ended June 30, 2006 and 2005.

**Note 9. Concentrations**

The Clinic maintains checking and money market accounts with banks whose accounts are insured by the Federal Deposit Insurance Corporation up to \$100,000. At June 30, 2006 and 2005, the Clinic's bank accounts exceeded FDIC insurance coverage by \$95,236 and \$154,295. For the years ended June 30, 2006 and 2005, the Clinic received 10% of its total revenue and support from the United Way.

**Note 10. Capital Campaign**

The following is a schedule of the revenues and disbursements of the capital campaign for the years ended June 30, 2006 and 2005:

	<u>2006</u>	<u>2005</u>
Net Assets Restricted for Campaign - Beginning of Year	\$ 536,504	\$ -
Contributions	439,660	594,383
Distributions:		
Capitalized Costs	(657,034)	-
Non-capitalized Construction Costs	(100,261)	(30,635)
Fundraising Costs	<u>(42,467)</u>	<u>(27,244)</u>
Net Assets Restricted for Campaign - End of Year	<u>\$ 176,402</u>	<u>\$ 536,504</u>