

INTERFAITH DENTAL CLINIC OF NASHVILLE AND AFFILIATE

CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

As of and for the Years Ended June 30, 2022 and 2021

And Report of Independent Auditor

INTERFAITH DENTAL CLINIC OF NASHVILLE AND AFFILIATE
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Report of Independent Auditor

To the Board of Directors
Interfaith Dental Clinic of Nashville and Affiliate
Nashville, Tennessee

Opinion

We have audited the accompanying consolidated financial statements of Interfaith Dental Clinic of Nashville and Affiliate (a non-profit organization) (collectively, the “Organization”), which comprise the consolidated statements of financial position as of June 30, 2022 and 2021, and 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.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Organization as of June 30, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in *the Auditor’s Responsibilities for the Audit of the Consolidated 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 Consolidated Financial Statements

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

In preparing the consolidated 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 consolidated financial statements are available to be issued.

Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 generally accepted 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 generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information on pages 27 through 30 is presented for purposes of additional analysis, and it is not a required part of the consolidated 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 consolidated financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

A handwritten signature in black ink that reads "Cherry Bekaert LLP". The script is cursive and fluid, with the letters "C", "B", and "L" being particularly prominent.

Nashville, Tennessee
February 7, 2023

INTERFAITH DENTAL CLINIC OF NASHVILLE AND AFFILIATE
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2022 AND 2021

	2022	2021
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 2,935,278	\$ 3,591,360
Restricted cash	134,747	171,175
Investments	975,340	829,087
Pledges receivable, net	91,760	85,834
Accounts receivable, net	465,147	724,300
Unbilled revenue	91,072	44,885
Prepaid expenses	12,477	13,496
Total Current Assets	<u>4,705,821</u>	<u>5,460,137</u>
Noncurrent Assets:		
Property and equipment, net	7,408,103	7,552,725
Right of use assets, net	4,909	7,678
Pledges receivable, net	-	533
Other noncurrent assets	2,519	1,600
Beneficial interest in agency endowment fund held by the Community Foundation of Middle Tennessee	17,148	19,463
New market tax credit note receivable	4,911,400	4,911,400
Total Noncurrent Assets	<u>12,344,079</u>	<u>12,493,399</u>
Total Assets	<u><u>\$ 17,049,900</u></u>	<u><u>\$ 17,953,536</u></u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 675,395	\$ 531,852
Interest payable	18,262	18,262
Patient credits	68,316	51,619
Lease liability	2,893	2,725
Deferred government grant revenue	-	567,107
Deferred Smile on Sixty Plus grant revenue	378,393	1,226,000
Total Current Liabilities	<u>1,143,259</u>	<u>2,397,565</u>
Long-Term Liabilities:		
Lease liability, net of current portion	1,966	4,872
New market tax credit debt, net of \$174,221 and \$227,148 unamortized debt issuance costs, respectively	6,725,779	6,672,852
Total Long-Term Liabilities	<u>6,727,745</u>	<u>6,677,724</u>
Total Liabilities	<u>7,871,004</u>	<u>9,075,289</u>
Net Assets:		
Without Donor Restrictions:		
Undesignated	7,924,963	7,717,783
Board-designated	1,047,905	935,879
Total Without Donor Restrictions	8,972,868	8,653,662
With donor restrictions	206,028	224,585
Total Net Assets	<u>9,178,896</u>	<u>8,878,247</u>
Total Liabilities and Net Assets	<u><u>\$ 17,049,900</u></u>	<u><u>\$ 17,953,536</u></u>

The accompanying notes to the consolidated financial statements are an integral part of these statements

INTERFAITH DENTAL CLINIC OF NASHVILLE AND AFFILIATE
CONSOLIDATED STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Public Support and Revenue:			
Patient fees, net	\$ 966,784	\$ -	\$ 966,784
Patient fees - Smile on Sixty Plus	653,634	-	653,634
Education Center	6,445	-	6,445
Net unrealized and realized gain on investments	11,864	-	11,864
Rental income	237,510	-	237,510
Interest income	65,072	-	65,072
Other income	22,659	-	22,659
United Way	160,951	-	160,951
Grant contract revenue	3,688,773	-	3,688,773
Individual contributions	357,415	-	357,415
Foundation contributions	508,044	400,485	908,529
Corporate contributions	76,437	1,000	77,437
Special event revenue, net of cost of direct benefits to donors	311,468	-	311,468
Donated professional services	164,637	-	164,637
Donated supplies and equipment	148,253	-	148,253
Net assets released from restrictions	420,042	(420,042)	-
Total Public Support and Revenue	7,799,988	(18,557)	7,781,431
Expenses:			
Program Services:			
Dental services	6,504,477	-	6,504,477
Supporting Services:			
Management and general	576,531	-	576,531
Fundraising and special events	399,774	-	399,774
Total Expenses	7,480,782	-	7,480,782
Change in net assets	319,206	(18,557)	300,649
Net assets, beginning of year	8,653,662	224,585	8,878,247
Net assets, end of year	\$ 8,972,868	\$ 206,028	\$ 9,178,896

The accompanying notes to the consolidated financial statements are an integral part of these statements.

INTERFAITH DENTAL CLINIC OF NASHVILLE AND AFFILIATE
CONSOLIDATED STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Public Support and Revenue:			
Patient fees, net	\$ 739,520	\$ -	\$ 739,520
Patient fees - Smile on Sixty Plus	693,118	-	693,118
Education Center	4,464	-	4,464
Net unrealized and realized loss on investments	148,499	-	148,499
Rental income	232,838	-	232,838
Interest income	61,727	-	61,727
Other income	40,948	-	40,948
United Way	190,850	-	190,850
Grant contract revenue	4,424,113	-	4,424,113
Individual contributions	269,798	-	269,798
Foundation contributions	546,479	278,748	825,227
Corporate contributions	95,420	60,000	155,420
Special event revenue, net of cost of direct benefits to donors	296,123	-	296,123
Donated professional services	664,480	-	664,480
Donated supplies and equipment	103,140	-	103,140
Net assets released from restrictions	364,728	(364,728)	-
Total Public Support and Revenue	8,876,245	(25,980)	8,850,265
Expenses:			
Program Services:			
Dental services	6,517,199	-	6,517,199
Supporting Services:			
Management and general	670,298	-	670,298
Fundraising and special events	329,906	-	329,906
Total Expenses	7,517,403	-	7,517,403
Change in net assets	1,358,842	(25,980)	1,332,862
Net assets, beginning of year	7,294,820	250,565	7,545,385
Net assets, end of year	\$ 8,653,662	\$ 224,585	\$ 8,878,247

The accompanying notes to the consolidated financial statements are an integral part of these statements.

INTERFAITH DENTAL CLINIC OF NASHVILLE AND AFFILIATE
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2022

	Program Services	Supporting Services		
	Dental Services	Management and General	Fundraising and Special Events	Total
Salaries	\$ 2,634,431	\$ 421,987	\$ 289,942	\$ 3,346,360
Payroll taxes and benefits	465,814	51,657	45,467	562,938
Total payroll and related expenses	3,100,245	473,644	335,409	3,909,298
Contracted fees and professional services	1,601,304	31,300	-	1,632,604
Depreciation and amortization	310,647	3,086	1,321	315,054
In-kind expense	254,700	11,035	846	266,581
Dental supplies	265,395	-	-	265,395
Occupancy	232,830	7,050	4,969	244,849
Dental lab	237,573	-	-	237,573
Computer support, upgrades, and repairs	167,628	8,166	16,484	192,278
Interest	125,976	-	-	125,976
Communication	48,776	2,721	8,855	60,352
Insurance	40,554	5,200	451	46,205
Continuing education, travel, volunteer, and employee recognition	32,657	1,268	3,572	37,497
Dental equipment, repairs, and maintenance	37,263	-	-	37,263
Dues and licenses	17,212	4,648	12,448	34,308
Printing and postage	1,570	3,581	12,997	18,148
Contract labor	7,882	5,400	180	13,462
Compliance fees	-	12,500	-	12,500
Payroll processing fees	10,045	744	832	11,621
Travel	5,104	5,331	963	11,398
Office supplies	5,394	400	447	6,241
Other operating expenses	1,722	457	-	2,179
	<u>\$ 6,504,477</u>	<u>\$ 576,531</u>	<u>\$ 399,774</u>	<u>\$ 7,480,782</u>

The accompanying notes to the consolidated financial statements are an integral part of these statements.

INTERFAITH DENTAL CLINIC OF NASHVILLE AND AFFILIATE
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2021

	Program Services	Supporting Services		
	Dental Services	Management and General	Fundraising and Special Events	Total
Salaries	\$ 2,278,096	\$ 504,362	\$ 234,055	\$ 3,016,513
Payroll taxes and benefits	386,459	74,815	38,383	499,657
Total payroll and related expenses	2,664,555	579,177	272,438	3,516,170
Contracted fees and professional services	1,735,341	18,397	-	1,753,738
In-kind expense	762,060	-	560	762,620
Depreciation and amortization	322,109	4,053	1,442	327,604
Dental supplies	225,898	-	-	225,898
Dental lab	193,277	-	-	193,277
Computer support, upgrades, and repairs	161,579	5,292	12,177	179,048
Occupancy	165,300	3,352	3,188	171,840
Interest	125,388	-	-	125,388
Communication	38,208	3,389	3,785	45,382
Continuing education, travel, volunteer, and employee recognition	22,822	9,583	9,656	42,061
Dental equipment, repairs, and maintenance	40,754	-	-	40,754
Insurance	16,284	24,091	330	40,705
Dues and licenses	14,325	3,555	9,686	27,566
Printing and postage	2,537	3,555	9,064	15,156
Compliance fees	-	12,500	-	12,500
Payroll processing fees	8,650	910	513	10,073
Contract labor	7,416	1,200	-	8,616
Travel	5,671	295	914	6,880
Fundraising	-	-	5,890	5,890
Office supplies	4,424	466	263	5,153
Other operating expenses	601	483	-	1,084
	<u>\$ 6,517,199</u>	<u>\$ 670,298</u>	<u>\$ 329,906</u>	<u>\$ 7,517,403</u>

The accompanying notes to the consolidated financial statements are an integral part of these statements.

INTERFAITH DENTAL CLINIC OF NASHVILLE AND AFFILIATE
CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2022 AND 2021

	2022	2021
Cash flows from operating activities:		
Change in net assets	\$ 300,649	\$ 1,332,862
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation and amortization	315,054	327,604
Amortization of debt issuance costs	52,927	52,928
Amortization of right of use assets	2,769	2,608
Net unrealized and realized gains on investments	(11,864)	(148,499)
Gain on sale of property and equipment	-	(4,000)
Donated equipment	(46,309)	(5,000)
Net changes in operating assets and liabilities:		
Pledges receivable, net	(5,393)	65,818
Accounts receivable, net	259,153	(23,609)
Prepaid expenses	1,019	3,179
Security deposit	(919)	-
Beneficial interest in agency endowment fund	2,315	(3,669)
Accounts payable and accrued expenses	143,543	197,202
Patient credits	16,697	(3,015)
Deferred Smile on Sixty Plus grant revenue	(847,607)	-
Deferred government grant revenue	(567,107)	114,903
Unbilled revenue	(46,187)	48,408
Interest payable	-	(942)
Lease liability	(2,738)	(2,579)
Net cash flows from operating activities	<u>(433,998)</u>	<u>1,954,199</u>
Cash flows from investing activities:		
Purchase of investments	(610,454)	(554,919)
Proceeds from sale of investments	476,065	196,019
Purchase of property and equipment	(124,123)	(248,854)
Net cash flows from investing activities	<u>(258,512)</u>	<u>(607,754)</u>
Cash flows from financing activities:		
Forgiveness from EIDL loan advance	-	(10,000)
Net cash flows from financing activities	<u>-</u>	<u>(10,000)</u>
Net change in cash, cash equivalents, and restricted cash	(692,510)	1,336,445
Cash, cash equivalents, and restricted cash, beginning of year	3,762,535	2,426,090
Cash, cash equivalents, and restricted cash, end of year	<u>\$ 3,070,025</u>	<u>\$ 3,762,535</u>
Cash and cash equivalents consist of the following:		
Cash and cash equivalents	\$ 2,935,278	\$ 3,591,360
Cash restricted for new market tax debt payments	134,747	171,175
	<u>3,070,025</u>	<u>3,762,535</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest	<u>\$ 73,047</u>	<u>\$ 73,401</u>
Schedule of noncash investing and financing activities:		
Donated equipment	<u>\$ 46,309</u>	<u>\$ 5,000</u>

The accompanying notes to the consolidated financial statements are an integral part of these statements

INTERFAITH DENTAL CLINIC OF NASHVILLE AND AFFILIATE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

Note 1—Summary of significant accounting policies

Nature of Activities and Program Description – Interfaith Dental Clinic of Nashville (“IDC”) is a Tennessee nonprofit organization dedicated to providing affordable dental care to uninsured working poor families and those over age 65 by providing access to affordable quality dental care, oral disease prevention services, and oral health education. IDC serves patients in ten Middle Tennessee counties.

IDC established the Interfaith Dental Supporting Foundation (“IDSF”) on August 27, 2018 solely to support the charitable purposes, mission, goals, and activities of IDC, its sole member. As such, IDSF’s activities include constructing IDC’s new headquarters and servicing certain notes payable for the benefit of IDC (see Note 20).

Principles of Consolidation – The accompanying consolidated financial statements include those of the IDC and IDSF (collectively, the “Organization”). The Organization has been consolidated due to the presence of common control and economic interest as required by accounting principles generally accepted in the United States of America (“U.S. GAAP”). All significant inter-entity balances and transactions have been eliminated in consolidation.

Education Center – The Organization’s education center was developed to provide continuing education and technical training for dental professionals that seek to grow their proficiency in many areas through hands-on experiences. The programs include training in understanding the culture of poverty, experiences in cross-culture settings, and individualized behavioral health.

Basis of Presentation – The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with U.S. GAAP. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets 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 the Board of Directors. The Organization has chosen to provide further classification information about net assets without donor restrictions on the consolidated statement of financial position. The sub-classifications are as follows:

Undesignated – Net assets that represents the cumulative net assets without donor restrictions excluding those net assets designated for specific activities by the Board of Directors.

Board-Designated – The governing board has designated, from net assets without donor restrictions, net assets for the board-designated Building and Emergency Fund, and for the Tooth Fairy Fund (see Note 10).

Net Assets With Donor Restrictions – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restriction and reported in the consolidated statements of activities as net assets released from restrictions. 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.

Cash and Cash Equivalents – For the purposes of the statement of cash flows, the Organization considers all unrestricted cash and investment instruments purchased with an original maturity date of 90 days or less from the date of issuance to be a cash equivalent.

INTERFAITH DENTAL CLINIC OF NASHVILLE AND AFFILIATE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

Note 1—Summary of significant accounting policies (continued)

IDSF is required to maintain two segregated loan reserve funds, which had balances totaling \$134,747 and \$171,175 at June 30, 2022 and 2021, respectively (see Note 20).

Investments – Investments are reported at their fair values in the statement of financial position. The fair values of these investments are based on quoted market prices. Donated securities are recognized at the fair value on the date of the contribution. All interest, dividends, and unrealized gains and losses are reported in the statement of activities as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or by law.

Agency Endowment Fund – The Organization's beneficial interest in an agency endowment fund held by the Community Foundation of Middle Tennessee is recognized as an asset. Investment income and changes in the value are recognized in the consolidated statements of activities. Distributions received from the fund are recorded as decreases in the beneficial interest. The beneficial interest is included in net assets with donor restrictions on the consolidated statements of financial position.

Pledges Receivable – Pledges receivable is recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restriction if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Pledges due in the next year are reflected as current pledges receivable and are recorded at their net realizable value. Pledges due in subsequent years are reflected as noncurrent pledges receivable and are recorded at the present value of their net realizable value, using a rate commensurate with the risk of the promise to give in accordance with U.S. GAAP. An allowance for uncollectible pledges is provided based on management's evaluation of potential uncollectible pledges receivable at year-end.

The Organization uses the allowance method to determine uncollectible unconditional pledges receivable. The allowance is based on prior years' experience and the Organization's analysis of specific promises made. An allowance for uncollectible pledges totaled \$1,380 and \$6,252 as of June 30, 2022 and 2021, respectively (see Note 5).

Accounts Receivable – Accounts receivable are due from patients, third party payers, and government grants. Third party payer receivables are generally collected within industry norms. Collections are continuously monitored and an allowance for estimated uncollectible receivables is maintained based upon historical experience and specifically identified payer collection issues. The allowance for uncollectible receivables totaled \$14,488 and \$5,112 as of June 30, 2022 and 2021, respectively (see Note 4).

Property and Equipment – Property and equipment is recorded at cost, or if donated, at the estimated fair market value at the date of donation. If equipment is donated, the donor can stipulate how long the assets must be used, and the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support. The Organization's capitalization policy is to capitalize any expenditure over \$5,000 for property and equipment. Depreciation is calculated utilizing the straight-line basis over the asset's estimated useful life ranging from 3 to 39 years. Expenditures for repairs and maintenance are charged to expense as incurred.

INTERFAITH DENTAL CLINIC OF NASHVILLE AND AFFILIATE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

Note 1—Summary of significant accounting policies (continued)

Contributions – Contributions are recognized when received as contributions without restriction if specified for the current period and there are no donor-imposed restrictions. Contributions specified for future periods or with donor-imposed restrictions are recognized in the period received as contributions with restrictions. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions are satisfied in the year in which the contributions are recognized.

In-Kind Contributions – The Organization receives various types of in-kind support including supplies, equipment, and professional services. Contributed professional services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributed professional dental services are recorded at their fair values in the period received. These services meet the requirements for recognition in the consolidated financial statements and have been recorded or reflected in the accompanying consolidated statements of activities (see Note 14).

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. The market value for services performed during the years ended June 30, 2022 and 2021 was \$7,893,072 and \$6,551,540, respectively. The discount between market value and patient fees recognized fluctuates with patient mix. The majority of patients are charged 20% of market value. Patient fees are reported including negative adjustments of \$4,203 and net of positive adjustments \$14,045 for the years ended June 30, 2022 and 2021, respectively.

Grant Contract – The Tennessee Commission on Aging and Disability awarded a grant contract to IDC effective April 16, 2018 and ending June 30, 2022. The grant is to assist seniors in Tennessee with funds not to exceed \$12,500,000 provided by the Senior Trust/Elder Trust settlement case no. 11-1548-111. Under the terms of the grant, IDC, and 20 partnering clinics are reimbursed for qualifying expenses incurred to assist seniors. IDC submits all of the clinics qualifying monthly expenses, receives payments for expenses submitted, and forwards reimbursement to the partnering clinics for their respective expenses incurred. Payments received from the state are recorded as grant revenue and expenses remitted to the partnering clinics are recorded as contracted fees on the respective consolidated statement of activities and consolidated statement of functional expenses. IDC also receives an overhead administration fee totaling 8% of total expenses incurred and this is included in government grant revenue. Grant revenue recognized for the years ended June 30, 2022 and 2021 totaled \$2,535,818 and \$2,566,262, respectively. In no event shall the state of Tennessee have any liability under this contract.

During the year ended June 30, 2021, the Organization was awarded and recognized \$939,870 as grant contract revenue of the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") funding on its consolidated statement of activities for the year ended June 30, 2021.

Compensated Absences – Full-time employees are defined as those working 30 hours or more per week. Vacation pay is calculated based on each employee's regularly scheduled hours per week and is granted based upon each employee's employment contract.

Allocation of Functional Expenses – Expenses that can be directly attributed to a particular function are charged to that function. Accordingly, certain costs have been categorized based on specific identification of costs incurred or allocated as determined by management.

INTERFAITH DENTAL CLINIC OF NASHVILLE AND AFFILIATE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

Note 1—Summary of significant accounting policies (continued)

The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Payroll and related expenses	Time and effort
Depreciation and amortization	Square footage
Occupancy	Square footage
Interest	Square footage
Insurance	Time and effort
Payroll processing fees	Time and effort
Office supplies	Time and effort

Use of Estimates – The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements. Actual results could differ from those estimates.

Recently Adopted Accounting Pronouncements – In September 2020, Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This ASU requires not-for-profit entities to present contributed nonfinancial assets as a separate line item in the consolidated statements of activities, apart from contributions of cash and other financial assets. In addition, for each category of contributed nonfinancial assets recognized, certain additional disclosures are required. This standard is effective for the year ended June 30, 2022. There have been no donor restrictions placed on such contributions.

Income Taxes – The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (“IRC”) and is not a private foundation. Accordingly, no provision for income taxes has been made.

Subsequent Events – The Organization evaluated subsequent events through February 7, 2023, when these consolidated financial statements were available to issued.

Note 2—Revenue recognition

Under ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606) and several related ASUs (collectively “ASC 606”), revenue is recognized when the Organization transfers the promised goods or services to a customer in an amount that reflects consideration that is expected to be received for those goods and services.

The Organization recognizes revenue for services in accordance with the following five steps outlined in ASC 606:

- 1) Identification of the contract or contracts with a customer;
- 2) Identification of the performance obligations in the contract;
- 3) Determination of the transaction prices;
- 4) Allocation of the transaction price to the performance obligations in the contract; and
- 5) Recognition of revenue when or as the Organization satisfies a performance obligation.

INTERFAITH DENTAL CLINIC OF NASHVILLE AND AFFILIATE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

Note 2—Revenue recognition (continued)

The Organization has analyzed the provisions of ASC 606 and has concluded the following:

Patient Fees – The Organization operates two dental clinics in Nashville and Murfreesboro. Such revenue is included in patient fees and patient fees – Smile on Sixty Plus revenue in the consolidated statements 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.

Contract Balances – Net patient fees receivable totaled \$31,125 and \$23,576 for the years ended June 30, 2022 and 2021, respectively. Patient fees receivable represent amounts owed for procedures performed during the years ended June 30, 2022 and 2021, and are primarily related to Medicaid and private insurance payments that are paid after the claim is submitted.

The Organization allows patients to save up for large procedures and make installment payments prior to the procedure date in order for patients to fulfill the amount owed under the sliding scale rate offered by the Organization. The Organization recognizes this revenue once it has satisfied the performance obligation of performing the procedure. Deferred patient fees are included within patient credits on the consolidated statements of financial position, and total \$68,316 and \$51,619 for the years ended June 30, 2022 and 2021, respectively.

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.

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 dental 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 table below depicts the disaggregation of revenue by service for the years ended June 30, 2022 and 2021, and is consistent with how the Organization evaluates financial performance.

	2022	2021
Patient fees - DentaQuest/Medicaid	\$ 124,065	\$ 100,478
Patient fees - private insurance	134,413	119,430
Patient fees - uninsured	712,509	505,567
Patient fees - Smile on Sixty Plus	653,634	693,118
Patient fees - adjustments	(4,203)	14,045
	<u>\$ 1,620,418</u>	<u>\$ 1,432,638</u>

INTERFAITH DENTAL CLINIC OF NASHVILLE AND AFFILIATE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

Note 3—Liquidity and availability of resources

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 activities of providing affordable dental care to uninsured working poor families and those over age 65 to be general expenditures. The Organization maintains a line of credit with maximum borrowings of \$1,000,000 (see Note 8) with a financial institution that is drawn upon during the year to manage cash flow, if needed.

As part of the Organization's liquidity management, it structures financial assets to be available as its general expenditures, liabilities, and other obligations become due. Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the consolidated statements of financial position, comprise the following at June 30:

	2022	2021
Financial assets at year-end:		
Cash and cash equivalents and restricted cash	\$ 3,070,025	\$ 3,762,535
Pledges receivable, net	91,760	85,834
Investments	975,340	829,087
Accounts receivable, net	465,147	724,300
Unbilled revenue	91,072	44,885
Beneficial interest in agency endowment fund held by the Community Foundation of Middle Tennessee	17,148	19,463
Total financial assets	4,710,492	5,466,104
Less amounts not available to be used for general expenditures within one year:		
Board-designated Building and Emergency Fund	755,370	658,160
Board-designated Tooth Fairy Fund	292,535	277,719
Net assets with donor restrictions (Note 11)	206,028	224,585
Cash restricted for payments related to new market tax credit debt	134,747	171,175
Financial assets available to meet general expenditures within one year	<u>\$ 3,321,812</u>	<u>\$ 4,134,465</u>

Note 4—Accounts receivable

Accounts receivable consisted of the following at June 30:

	2022	2021
Patient accounts receivable	\$ 45,613	\$ 28,688
Government grant receivables	421,743	686,945
Other	12,279	13,779
	479,635	729,412
Less allowance for doubtful accounts	(14,488)	(5,112)
	<u>\$ 465,147</u>	<u>\$ 724,300</u>

INTERFAITH DENTAL CLINIC OF NASHVILLE AND AFFILIATE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

Note 5—Pledges receivable

Pledges receivable consisted of the following at June 30:

	2022	2021
Due in less than one year	\$ 95,015	\$ 91,355
Due in one to five years	-	3,657
	95,015	95,012
Less discounts to net present value	(1,875)	(2,393)
Less allowance for doubtful accounts	(1,380)	(6,252)
Net pledges receivable	\$ 91,760	\$ 86,367
Pledges receivable due in less than one year, net	\$ 91,760	\$ 85,834
Pledges receivable due in one to five years, net	-	533
Net pledges receivable	\$ 91,760	\$ 86,367

Gross contributions have been discounted to account for the time value of money using discount rates ranging from 4% to 6%. The rates were determined using the interest method after an allowance had been established.

Note 6—Investments

The Organization follows the *Fair Value Measurement* topic of FASB ASC, which establishes a framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 – Inputs to the valuation methodology include the following:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability; and
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The Organization's fixed income securities and equities are valued at the closing price reported on the active market on which the individual securities are traded. There have been no changes in the methodologies used at June 30, 2022 and 2021.

INTERFAITH DENTAL CLINIC OF NASHVILLE AND AFFILIATE **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

JUNE 30, 2022 AND 2021

Note 6—Investments (continued)

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Organization's investments at fair value as of June 30, 2022:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Stocks	\$ 975,340	\$ -	\$ -	\$ 975,340
Beneficial interest in agency Endowment fund held by The Community Foundation of Middle Tennessee	17,148	-	-	17,148
	<u>\$ 992,488</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 992,488</u>

For the year ended June 30, 2022, interest and dividends earned from these investments totaled \$23,644. Net unrealized and realized gains on investments amounted to \$11,864 for the year ended June 30, 2022.

The following table sets forth by level, within the fair value hierarchy, the Organization's investments at fair value as of June 30, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Stocks	\$ 829,087	\$ -	\$ -	\$ 829,087
Beneficial interest in agency Endowment fund held by The Community Foundation of Middle Tennessee	19,463	-	-	19,463
	<u>\$ 848,550</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 848,550</u>

For the year ended June 30, 2021, interest and dividends earned from these investments totaled \$15,575. Net unrealized and realized losses on investments amounted to \$148,499 for the year ended June 30, 2021.

INTERFAITH DENTAL CLINIC OF NASHVILLE AND AFFILIATE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

Note 6—Investments (continued)

The Organization holds investments contributed to the Building and Emergency Fund and the Tooth Fairy Fund in various equity securities and cash. Investments consisted of the following at June 30:

	<u>2022</u>	<u>2021</u>
<u>Building and Emergency Fund</u>		
Cash/Money Market Accounts	\$ 14,158	\$ 19,540
Stocks	700,993	562,749
	<u>\$ 715,151</u>	<u>\$ 582,289</u>
<u>Tooth Fairy Fund</u>		
Cash/Money Market Accounts	\$ 18,187	\$ 11,381
Stocks	274,347	266,338
	<u>\$ 292,534</u>	<u>\$ 277,719</u>

Note 7—Property and equipment

Property and equipment consisted of the following at June 30:

	<u>2022</u>	<u>2021</u>
Land	\$ 446,150	\$ 446,150
Buildings and improvements	6,936,386	6,927,162
Dental equipment	1,780,293	1,805,808
Office equipment and software	382,162	421,883
	9,544,991	9,601,003
Less accumulated depreciation	<u>(2,136,888)</u>	<u>(2,048,278)</u>
Property and equipment, net	<u>\$ 7,408,103</u>	<u>\$ 7,552,725</u>

Note 8—Line of credit

At June 30, 2022, the Organization had no outstanding borrowings on a line of credit with a credit limit of \$1,000,000. The line of credit is secured with all of the Organization's business assets and has an interest rate at the bank's prime rate plus .50% (5.25% at June 30, 2022). Interest is payable monthly, and all outstanding principal plus accrued unpaid interest is due on February 14, 2024.

INTERFAITH DENTAL CLINIC OF NASHVILLE AND AFFILIATE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

Note 9—Deferred government grant revenue

During the year ended June 30, 2020, the Organization received a Paycheck Protection Program loan (“PPP”) in the amount of \$452,204, which was established under the CARES Act and administered by the Small Business Administration (“SBA”). The application for the PPP loan requires the Organization to, in good faith, certify that the current economic uncertainty made the loan request necessary to support the ongoing operation of the Organization. This certification further requires the Organization to take into account current business activity and the ability to access other sources of liquidity sufficient to support the ongoing operations in a manner that is not significantly detrimental to the business. The receipt of the funds from the PPP loan and the forgiveness of the PPP loan is dependent on the Organization having initially qualified for the PPP loan and qualifying for the forgiveness of such PPP loan based on funds being used for certain expenditures such as payroll costs and rent, as required by the terms of the PPP loan.

The Organization applied for forgiveness with the SBA and the SBA forgave the PPP loan in full on April 28, 2021. As a result, the Organization recognized \$452,204 to grant contract revenue on the consolidated statement of activities for the year ended June 30, 2021.

Under the same terms and requirements, the Organization received a second PPP loan in the amount of \$567,107, which was established under the CARES Act and administered by the SBA. If the SBA determines the PPP loan was not properly obtained and/or expenditures supporting forgiveness were not appropriate, the Organization would need to repay some or all of the PPP loan and record additional expense, which could have a material, adverse effect on the Organization in a future period. As of June 30, 2021, the Organization recorded such amounts as deferred government grant revenue as the conditions for forgiveness had not yet been met at that time.

The Organization applied for forgiveness with the SBA and the SBA forgave the PPP loan in full on March 16, 2022. As a result, the Organization recognized \$567,107 to grant contract revenue on the consolidated statement of activities for the year ended June 30, 2022.

In April 2020, the Organization received an Economic Injury Disaster Loan (“EIDL”) of \$10,000 from the SBA. While the SBA refers to this program as an advance, it was written into law as a grant, which means that the amount given through this program does not need to be repaid; however, proceeds from EIDL advances will be deducted from forgiveness allowed under the PPP loan.

During the year ended June 30, 2021, the SBA repealed the requirement to reduce PPP loans by EIDL advances. As a result, the EIDL advance was fully forgiven on May 6, 2021, and the Organization recognized \$10,000 to grant contract revenue on the statement of activities for the year ended June 30, 2021.

During the year ended June 30, 2020, the Organization received an advance of funds under the Senior Trust/Elder Trust settlement of \$1,226,000. The funds were advanced to the Organization to alleviate cash flow issues for reimbursements to the partnering clinics as a result of timing between monthly reimbursement requests submitted by the Organization to the state, payment to the Organization, and subsequent reimbursement to the partnering clinics by the Organization. The Organization can utilize the advanced funds to pay future reimbursements to IDC and other partnering clinics; therefore, such advances would be considered conditional contributions under ASC 958-605 as recognition of the funds are contingent on qualifying reimbursements in subsequent years. Consequently, the \$1,226,000 advance is recorded as deferred grant revenue on the June 30, 2021 consolidated statement of financial position. At June 30, 2022, deferred grant revenue totaled \$378,393 and is presented on the consolidated statement of financial position. The difference in deferred grant revenue of \$847,607 is included as grant contract revenue on the consolidated statement of activities for the year ended June 30, 2022.

INTERFAITH DENTAL CLINIC OF NASHVILLE AND AFFILIATE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

Note 10—Board-designated net assets

Board-designated net assets are available for the following purposes:

Building and Emergency Fund – This account is intended to provide funds necessary for an operational emergency or building emergency maintenance activity beyond what is in our annual budget.

Tooth Fairy Fund – This fund is for the specific purpose of providing unrestricted, critical revenue to support the mission and work of the Organization for decades to come. Its distributions will be dedicated to funding personnel, operational, infrastructural or capital expenses to fund the Organization's mission. The Graham Memorial Fund and the bequest of the late Mrs. Virginia Tipton provided the seed money to begin building this fund to a goal of one million dollars. Distribution of the fund is at the discretion of the board if the corpus is less than or equal to \$1,000,000. If realized gains push the fund above \$1,000,000 distributions of the excess can be made by management through a budgeting process

A summary of board-designated net assets is as follows at June 30:

	2022	2021
Building and Emergency Fund	\$ 755,370	\$ 658,160
Tooth Fairy Fund	292,535	277,719
	<u>\$ 1,047,905</u>	<u>\$ 935,879</u>

Note 11—Net assets with donor restrictions

Net assets with donor restrictions consisted of the following at June 30:

	2022	2021
Dental equipment	\$ 58,724	\$ -
New dental team	-	118,755
Waitlist project	25,000	-
Sabbatical	13,396	-
Beneficial interest in agency endowment fund held by the Community Foundation of Middle Tennessee (see Note 12)	17,148	19,463
Pledges receivable, net	91,760	86,367
	<u>\$ 206,028</u>	<u>\$ 224,585</u>

INTERFAITH DENTAL CLINIC OF NASHVILLE AND AFFILIATE **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

JUNE 30, 2022 AND 2021

Note 12—Beneficial interest in agency endowment fund

During the year ended June 30, 2002, the Organization transferred \$5,000 to the Community Foundation of Middle Tennessee ("Community Foundation") under an agency endowment fund. It is the hope of the Organization that other individuals will contribute to the fund. The Organization 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; therefore, all gains and losses are reflected as net assets with donor restrictions. The Organization retains a beneficial interest in the endowment fund held by the Community Foundation.

Upon request by the Organization, income from the fund representing an annual return may be distributed to the Organization 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.

A schedule of the changes in the Organization's beneficial interest in this fund is as follows for the year ended June 30:

	2022	2021
Beneficial interest, beginning of year	\$ 19,463	\$ 15,794
Change in value of beneficial interest:		
Realized gain	505	1,076
Unrealized gain (loss)	(3,189)	2,283
Interest and dividends	492	389
Investment fees	(48)	(27)
Administrative expense	(75)	(52)
	<u>(2,315)</u>	<u>3,669</u>
Beneficial interest, end of year	<u>\$ 17,148</u>	<u>\$ 19,463</u>

The beneficial interest held by the Community Foundation is permanently restricted and included in net assets with donor restrictions (see Note 11). See Note 6 for the fair value measurement of the balance.

Note 13—Net assets released from restrictions

Donor-restricted contributions which have been released to operations due to the satisfaction of the restriction consist of the following for the year ended June 30:

	2022	2021
Payments received on pledges	\$ (187,996)	\$ (211,311)
Decrease in discount for time value of money	518	1,980
Decrease in pledge allowance	4,872	8,513
Released for satisfaction of donor restrictions	(237,436)	(163,910)
	<u>\$ (420,042)</u>	<u>\$ (364,728)</u>

INTERFAITH DENTAL CLINIC OF NASHVILLE AND AFFILIATE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

Note 14—Contributed property, equipment, and services

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

	<u>2022</u>	<u>2021</u>
Revenues:		
Donated professional services	\$ 164,637	\$ 664,480
Donated supplies	89,659	77,147
Donated equipment	58,594	25,993
	<u>\$ 312,890</u>	<u>\$ 767,620</u>
In-Kind Expenses:		
Donated professional services	\$ 164,637	\$ 664,480
Donated supplies	89,659	72,147
Donated equipment	12,285	25,993
	<u>\$ 266,581</u>	<u>\$ 762,620</u>
Assets:		
Donated equipment capitalized	<u>\$ 46,309</u>	<u>\$ 5,000</u>

Donated supplies and equipment represent dental tools and supplies contributed by various donors for use in the Organization's dental clinics. Donated professional services represent services provided by dentists, hygienists, and other dental professionals at no charge to patients of the Organization.

Donated capitalized equipment represents office furniture contributed by various donors and is valued at the estimated fair value or the basis of estimates of the retail value that would be required if purchased.

In valuing supplies and equipment, the Organization estimated the fair value or the basis of estimates of the retail value that would be required if purchased. In valuing professional services, the Organization estimated the fair value of such services at market value if performed by its dental professionals.

Note 15—Leases

In February 2016, FASB issued ASU 2016-02, *Leases (Topic 842)* ("ASC 842"). The Organization adopted ASC 842 effective July 1, 2019 using the modified retrospective approach and determined that there was no cumulative effect adjustment. The most significant change in this leasing guidance is the requirement to recognize right-of-use ("ROU") assets and lease liabilities for operating leases on the consolidated statements of financial position.

Leases – As of June 30, 2022 and 2021, the Organization has rental agreements for copiers, dental equipment, and a building with a term greater than 12 months. The Organization determines whether a contract contains a lease at inception by determining if the contract conveys the right to control the use of identified property, plant, or equipment for a period of time in exchange for consideration.

INTERFAITH DENTAL CLINIC OF NASHVILLE AND AFFILIATE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

Note 15—Leases (continued)

ROU assets and lease liabilities are recognized at the commencement date based on the present value of the future minimum lease payments over the lease term. Renewal and termination clauses are factored into the determination of the lease term if it is reasonably certain that these options would be exercised by the Organization. Lease assets are amortized over the lease term unless there is a transfer of title or purchase option reasonably certain of exercise, in which case the asset life is used. Certain of our lease agreements include variable payments. Variable lease payments not dependent on an index or rate primarily consist of common area maintenance charges and are not included in the calculation of the ROU asset and lease liability and are expensed as incurred. In order to determine the present value of lease payments, the Organization uses the implicit rate when it is readily determinable. As most of the Organization's leases do not provide an implicit rate, management uses the Organization's incremental borrowing rate based on the information available at lease commencement to determine the present value of lease payments.

Our lease agreements do not contain any material residual value guarantees or material restrictive covenants. The Organization does not have leases where it is involved with the construction or design of an underlying asset. The Organization has no material obligation for leases signed but not yet commenced as of December 31, 2022. The Organization does not have any material sublease activities.

Practical Expedients Elected:

- The Organization elected the three transition practical expedients that permit an entity to (a) not reassess whether expired or existing contracts contain leases, (b) not reassess lease classification for existing or expired leases, and (c) not consider whether previously capitalized initial direct costs would be appropriate under the new standard.
- The Organization has elected to account for lease and non-lease components as a single component.
- Effective July 1, 2019, the Organization elected to utilize the incremental borrowing rate (6%) to calculate lease assets and liabilities.

Effective January 1, 2019, IDC began leasing the new building from IDSF. The building is leased for a term of 84 months. The monthly base rent during the years ended June 30, 2022 and 2021 is \$5,199. The intercompany rental income and expense totaling approximately \$62,000 and \$62,000 was eliminated in consolidation for the years ended June 30, 2022 and 2021, respectively. The intercompany right-of-use asset and lease liability of approximately \$204,000 and \$255,000 were eliminated in consolidation for the years ended June 30, 2022 and 2021, respectively.

Effective January 1, 2019, IDC began leasing equipment from IDSF. The dental equipment is leased for a term of 60 months. The monthly base rent during the years ended June 30, 2022 and 2021 is \$1,250. The intercompany rental income and expense totaling \$15,000 and \$15,000 is eliminated in consolidation for the years ended June 30, 2022. The intercompany ROU asset and lease liability of approximately \$23,000 and \$36,000 were eliminated in consolidation for the years ended June 30, 2022 and 2021, respectively.

During September 2018 and August 2019, IDC began leasing copiers at its Davidson County and Rutherford County clinics, respectively. The copiers are each leased for a term of 60 months. The monthly lease payment for the Davidson County copier is \$137, and the monthly lease payment for the Rutherford County copier is \$123. For the years ended June 30, 2022 and 2021, the ROU assets under the Davidson County copier lease and Rutherford County copier lease are \$1,994 and \$3,486, and \$2,915 and \$4,192, respectively, and the lease liabilities under the Davidson County copier lease and Rutherford County copier lease are \$1,975 and \$3,452, and \$2,884 and \$4,145, respectively.

See the consolidated statements of financial position as of June 30, 2022 and 2021 for presentation of ROU assets and lease liabilities.

INTERFAITH DENTAL CLINIC OF NASHVILLE AND AFFILIATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

Note 15—Leases (continued)

IDC future minimum payments under the leases are as follows:

	Copiers	Dental Equipment	Building	Total
2023	\$ 3,120	\$ 15,000	\$ 62,389	\$ 80,509
2024	1,887	8,750	62,389	73,026
2025	246	-	62,389	62,635
2026	-	-	36,394	36,394
2027	-	-	-	-
Thereafter	-	-	-	-
Total lease payments	5,253	23,750	223,561	252,564
Less interest	(286)	(1,147)	(19,271)	(20,704)
Present value of lease liabilities	<u>\$ 4,967</u>	<u>\$ 22,603</u>	<u>\$ 204,290</u>	<u>\$ 231,860</u>

IDSF leases building and lab space to other not-for-profit entities for terms of 59 to 120 months at varying monthly rents. Total rental income for the years ended June 30, 2022 and 2021, excluding eliminated IDC rental income, is \$237,510 and \$232,838, respectively. IDSF also leases building space to IDC on terms noted above, which are eliminated in consolidation.

IDSF future minimum rental income under the leases are as follows:

	Other Not-for-Profit Entities	Dental Equipment	Building	Total
2023	\$ 242,463	\$ 15,000	\$ 62,389	\$ 319,852
2024	238,949	8,750	62,389	310,088
2025	235,364	-	62,389	297,753
2026	197,373	-	36,394	233,767
2027	115,922	-	-	115,922
Thereafter	177,946	-	-	177,946
Total	<u>\$ 1,208,017</u>	<u>\$ 23,750</u>	<u>\$ 223,561</u>	<u>\$ 1,455,328</u>

Dental equipment and building rental income and expense are intercompany balances that will be eliminated in consolidation in future years.

INTERFAITH DENTAL CLINIC OF NASHVILLE AND AFFILIATE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

Note 15—Leases (continued)

Required supplemental information relating to our leases for the years ended June 30, 2022 and 2021 is as follows:

	2022	2021
Operating:		
Operating leases, included in operating expenses	\$3,150	\$3,150
Cash flow information:		
Cash paid for amounts included in measurement of lease liabilities:		
Operating cash flows from operating leases	\$2,738	\$2,579
Lease term and discount rate:		
Weighted average remaining lease term in years—Operating leases	4	3
Weighted average discount rate—Operating leases	6.00%	6.00%

Note 16—Concentrations

At times, the Organization maintains cash and investments in amounts in excess of federally insured limits. Amounts in excess of federally insured limits at June 30, 2022 and 2021 totaled \$2,388,703 and \$3,334,015, respectively. In management's opinion, risk relating to such deposits is minimal based on the credit rating of its depositories.

As of June 30, 2022 and 2021, 19% and 11%, respectively, of the Organization's total individual, foundation, and corporate contributions were received from one donor. Pledges receivable from one donor represented approximately 98% and 71% of pledges receivable at June 30, 2022 and 2021, respectively.

The Organization receives substantial amounts of its revenue from federal and state grants. A significant reduction in the amount received from these resources could have an adverse effect on the operations of the Organization.

Note 17—Employee benefit plan

The Organization has a 401(k) retirement plan for all eligible employees. Employees age 21 or older become eligible to participate in the plan after one year of continuous service. The plan allows participants to contribute annually a portion of their earnings up to the maximum amount allowable under the IRC.

The Organization matches the first 3% of the participant's salary dollar for dollar and \$0.50 on the dollar on the next 2% of the salary, totaling to a maximum of 4%. Participants must contribute 5% of their annual salary to get the full 4% match. Total matching contributions for the years ended June 30, 2022 and 2021 were \$90,928 and \$76,737, respectively.

The Organization may also make discretionary contributions to the retirement plan. For the years ended June 30, 2022 and 2021, no discretionary contributions were made.

INTERFAITH DENTAL CLINIC OF NASHVILLE AND AFFILIATE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

Note 18—Related party

The Organization uses a property management association to manage the portion of the building that it owns at its Murfreesboro location. Two of the Organization's employees serve on the board of the management association as president and secretary treasurer. Amounts paid to the management association by the Organization for both years ended June 30, 2022 and 2021 totaled approximately \$14,500.

The Organization participates in a two-member owner's association that maintains land and common elements adjacent to property it owns at 600 Hill Avenue. One of the Organization's employees serves on the board of the owner's association, which was established in April 2018. Amounts paid to the owner's association by the Organization totaled approximately \$7,000 for both years ended June 30, 2022 and 2021.

See Note 15 for intercompany rental income and expense.

Note 19—Special events

During the years ended June 30, 2022 and 2021, the Organization had fundraising events to help support operations. The following table below shows the amount raised less the cost of direct benefits to donors during the years ended June 30:

	2022	2021
Gross receipts from special events	\$ 388,715	\$ 329,717
Less cost of direct benefits to donors	(77,247)	(33,594)
	<u>\$ 311,468</u>	<u>\$ 296,123</u>

Note 20—New Market Tax Credit agreement

During October 2018, the Organization entered into a New Market Tax Credit ("NMTC") agreement to assist with the construction of its new headquarters. The Organization will realize a projected benefit in positive cash flow from federal incentives totaling approximately \$2,238,000 (unaudited) for the NMTC financing transaction. All loans originated in the NMTC financing transaction are secured by substantially all assets and revenues of the Organization whether owned as of the date of the agreement or thereafter.

In October 2018, IDSF entered into two debt agreements totaling \$4,900,000 from Partnerships of Hope XXIII, LLC (a "community development financial institution"). The notes accrue interest at a fixed rate of 1.059% per annum, which is payable quarterly, in arrears, and with a final payment of all outstanding principal and unpaid accrued interest due at maturity in October 2048. Additionally, IDSF entered into two debt agreements totaling \$2,000,000 from ST CDE XLIV, LLC (a "community development institution"). The notes accrue interest at a fixed rate of 1.059% per annum, which is payable quarterly, in arrears, and with a final payment of all outstanding principal and unpaid accrued interest due at maturity in October 2048. Debt issuance costs relating to the notes totaled \$370,494, with \$52,927 being amortized during the years ended June 30, 2022 and 2021, respectively. The notes contain certain nonfinancial covenants which require management's representation that the loans qualify as a "qualified low-income community investment" based on the ongoing activities of the Organization and its continuing mission.

Furthermore, IDC provided a loan of \$4,911,400 to Interfaith Dental Nashville Investment Fund, LLC. The loan is evidenced by a promissory note receivable from Interfaith Dental Nashville Investment Fund, LLC, accruing interest at 1.0% per annum, and requiring quarterly payments of interest only through December 2025 at which point the loan will begin to amortize on a straight-line basis through maturity in October 2048.

INTERFAITH DENTAL CLINIC OF NASHVILLE AND AFFILIATE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

Note 20—New Market Tax Credit agreement (continued)

As part of this transaction, IDSF is required to maintain two segregated loan reserve funds. The first reserve fund is used for payment of the servicing fee in compliance with the note payable and a portion of the interest expense payable to Partnerships of Hope XXIII, LLC. The initial deposit of \$250,000 covers annual payments totaling approximately \$12,500 for the compliance service fee payable on January 5 each year through 2025, at which point the fee will increase to \$25,000. The reserve fund also pays a portion of the interest expense in the amount of approximately \$21,500 each year. IDSF continues making such expense reimbursements even after the funds in the reserve account have been disbursed. The second reserve fund is used for payment of a portion of the interest expense payable to ST CDE XLIV, LLC. The initial deposit of \$17,500 covers quarterly payments of \$625 for the interest expense. The total amount of the restricted cash as of June 30, 2022 and 2021 totaled approximately \$135,000 and \$171,000, respectively.

In October 2025, the bank that owns the unaffiliated investment structure may put its interest in the investments structure to IDSF for a put price of \$1,000. If the bank does not exercise its put right, IDSF may call the bank's interest in the investment structure for a call price equal to the fair value of the investment. Exercise of the put or the call will provide IDSF with ownership of the investment structure.

SUPPLEMENTARY INFORMATION

INTERFAITH DENTAL CLINIC OF NASHVILLE AND AFFILIATE **CONSOLIDATING STATEMENT OF FINANCIAL POSITION**

JUNE 30, 2022

	Interfaith Dental Clinic	Interfaith Dental Supporting Foundation	Eliminations	Consolidated
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 2,807,188	\$ 128,090	\$ -	\$ 2,935,278
Restricted cash	-	134,747	-	134,747
Investments	975,340	-	-	975,340
Pledges receivable, net	91,760	-	-	91,760
Accounts receivable, net	465,147	-	-	465,147
Unbilled revenue	91,072	-	-	91,072
Prepaid expenses	12,477	-	-	12,477
Total Current Assets	4,442,984	262,837	-	4,705,821
Noncurrent Assets:				
Property and equipment, net	934,555	6,473,548	-	7,408,103
Right of use assets, net	231,801	-	(226,892)	4,909
Other noncurrent assets	2,519	-	-	2,519
Beneficial interest in agency endowment fund held by the Community Foundation of Middle Tennessee	17,148	-	-	17,148
New market tax credit note receivable	4,911,400	-	-	4,911,400
Total Noncurrent Assets:	6,097,423	6,473,548	(226,892)	12,344,079
Total Assets	\$ 10,540,407	\$ 6,736,385	\$ (226,892)	\$ 17,049,900
LIABILITIES AND NET ASSETS				
Current Liabilities:				
Accounts payable and accrued expenses	\$ 645,601	\$ 29,794	\$ -	\$ 675,395
Interest payable	-	18,262	-	18,262
Patient credits	68,316	-	-	68,316
Lease liability	70,305	-	(67,412)	2,893
Deferred Smile on Sixty Plus grant revenue	378,393	-	-	378,393
Total Current Liabilities	1,162,615	48,056	(67,412)	1,143,259
Long-Term Liabilities:				
Lease liability, net of current portion	161,446	-	(159,480)	1,966
New market tax credit debt, net of \$174,221 unamortized debt issuance costs	-	6,725,779	-	6,725,779
Total Long-Term Liabilities	161,446	6,725,779	(159,480)	6,727,745
Total Liabilities	1,324,061	6,773,835	(226,892)	7,871,004
Net Assets:				
Without Donor Restrictions:				
Undesignated	7,962,413	(37,450)	-	7,924,963
Board-designated	1,047,905	-	-	1,047,905
Total Without Donor Restrictions	9,010,318	(37,450)	-	8,972,868
With donor restrictions	206,028	-	-	206,028
Total Net Assets	9,216,346	(37,450)	-	9,178,896
Total Liabilities and Net Assets	\$ 10,540,407	\$ 6,736,385	\$ (226,892)	\$ 17,049,900

INTERFAITH DENTAL CLINIC OF NASHVILLE AND AFFILIATE

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

JUNE 30, 2021

	Interfaith Dental Clinic	Interfaith Dental Supporting Foundation	Eliminations	Consolidated
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 3,477,283	\$ 114,077	\$ -	\$ 3,591,360
Restricted cash	-	171,175	-	171,175
Investments	829,087	-	-	829,087
Pledges receivable, net	85,834	-	-	85,834
Accounts receivable, net	759,800	1,000	(36,500)	724,300
Unbilled revenue	44,885	-	-	44,885
Prepaid expenses	13,496	-	-	13,496
Total Current Assets	5,210,385	286,252	(36,500)	5,460,137
Noncurrent Assets:				
Property and equipment, net	841,120	6,711,605	-	7,552,725
Right of use assets, net	298,570	-	(290,892)	7,678
Pledges receivable, net	533	-	-	533
Other noncurrent assets	1,600	-	-	1,600
Beneficial interest in agency endowment fund held by the Community Foundation of Middle Tennessee	19,463	-	-	19,463
New market tax credit note receivable	4,911,400	-	-	4,911,400
Total Noncurrent Assets:	6,072,686	6,711,605	(290,892)	12,493,399
Total Assets	\$ 11,283,071	\$ 6,997,857	\$ (327,392)	\$ 17,953,536
LIABILITIES AND NET ASSETS				
Current Liabilities:				
Accounts payable and accrued expenses	\$ 507,564	\$ 60,788	\$ (36,500)	\$ 531,852
Interest payable	-	18,262	-	18,262
Patient credits	51,619	-	-	51,619
Lease liability	66,725	-	(64,000)	2,725
Deferred government grant revenue	567,107	-	-	567,107
Deferred Smile on Sixty Plus grant revenue	1,226,000	-	-	1,226,000
Total Current Liabilities	2,419,015	79,050	(100,500)	2,397,565
Long-Term Liabilities:				
Lease liability, net of current portion	231,764	-	(226,892)	4,872
New market tax credit debt, net of \$227,148 unamortized debt issuance costs	-	6,672,852	-	6,672,852
Total Long-Term Liabilities	231,764	6,672,852	(226,892)	6,677,724
Total Liabilities	2,650,779	6,751,902	(327,392)	9,075,289
Net Assets:				
Without Donor Restrictions:				
Undesignated	7,471,828	245,955	-	7,717,783
Board-designated	935,879	-	-	935,879
Total Without Donor Restrictions	8,407,707	245,955	-	8,653,662
With donor restrictions	224,585	-	-	224,585
Total Net Assets	8,632,292	245,955	-	8,878,247
Total Liabilities and Net Assets	\$ 11,283,071	\$ 6,997,857	\$ (327,392)	\$ 17,953,536

INTERFAITH DENTAL CLINIC OF NASHVILLE AND AFFILIATE

CONSOLIDATING STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2022

	Interfaith Dental Clinic	Interfaith Dental Supporting Foundation	Eliminations	Consolidated
Public Support and Revenue:				
Patient fees, net	\$ 966,784	\$ -	\$ -	\$ 966,784
Patient fees - Smile on Sixty Plus	653,634	-	-	653,634
Education Center	6,445	-	-	6,445
Net unrealized and realized gain on investments	11,864	-	-	11,864
Rental income	-	314,899	(77,389)	237,510
Interest income	65,072	-	-	65,072
Other income	21,859	800	-	22,659
United Way	160,951	-	-	160,951
Grant contract revenue	3,688,773	-	-	3,688,773
Individual contributions	357,415	-	-	357,415
Foundation contributions	908,529	-	-	908,529
Corporate contributions	77,437	-	-	77,437
Special event revenue, net of cost of direct benefits to donors	311,468	-	-	311,468
Donated professional services	164,637	-	-	164,637
Donated supplies and equipment	148,253	-	-	148,253
Total Public Support and Revenue	7,543,121	315,699	(77,389)	7,781,431
Expenses:				
Program Services:				
Dental services	6,022,896	550,756	(69,175)	6,504,477
Supporting Services:				
Management and general	533,304	48,348	(5,121)	576,531
Fundraising and special events	402,867	-	(3,093)	399,774
Total Expenses	6,959,067	599,104	(77,389)	7,480,782
Change in net assets	584,054	(283,405)	-	300,649
Net assets, beginning of year	8,632,292	245,955	-	8,878,247
Net assets, end of year	\$ 9,216,346	\$ (37,450)	\$ -	\$ 9,178,896

INTERFAITH DENTAL CLINIC OF NASHVILLE AND AFFILIATE

CONSOLIDATING STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2021

	Interfaith Dental Clinic	Interfaith Dental Supporting Foundation	Eliminations	Consolidated
Public Support and Revenue:				
Patient fees, net	\$ 739,520	\$ -	\$ -	\$ 739,520
Patient fees - Smile on Sixty Plus	693,118	-	-	693,118
Education Center	4,464	-	-	4,464
Net unrealized and realized loss on investments	148,499	-	-	148,499
Rental income	-	310,227	(77,389)	232,838
Interest income	61,724	3	-	61,727
Other income	40,148	800	-	40,948
United Way	190,850	-	-	190,850
Grant contract revenue	4,424,113	-	-	4,424,113
Individual contributions	269,798	-	-	269,798
Foundation contributions	825,227	-	-	825,227
Corporate contributions	155,420	-	-	155,420
Special event revenue, net of cost of direct benefits to donors	296,123	-	-	296,123
Donated professional services	664,480	-	-	664,480
Donated supplies and equipment	103,140	-	-	103,140
Total Public Support and Revenue	8,616,624	311,030	(77,389)	8,850,265
Expenses:				
Program Services:				
Dental services	6,083,919	502,012	(68,732)	6,517,199
Supporting Services:				
Management and general	682,884	(7,174)	(5,412)	670,298
Fundraising and special events	333,151	-	(3,245)	329,906
Total Expenses	7,099,954	494,838	(77,389)	7,517,403
Change in net assets	1,516,670	(183,808)	-	1,332,862
Net assets, beginning of year	7,115,622	429,763	-	7,545,385
Net assets, end of year	\$ 8,632,292	\$ 245,955	\$ -	\$ 8,878,247