

**FAITH FAMILY MEDICAL CENTER, INC.**  
**Financial Statements**  
**December 31, 2015 and 2014**

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## Independent Auditors' Report

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

We have audited the accompanying financial statements of Faith Family Medical Center, Inc. (a nonprofit corporation), which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Faith Family Medical Center, Inc. as of December 31, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Parker, Parker & Associates*

March 4, 2016

**FAITH FAMILY MEDICAL CENTER, INC.**  
**Statements of Financial Position**  
**December 31, 2015 and 2014**

	<b>2015</b>	<b>2014</b>
<b>Assets</b>		
<b>Current Assets</b>		
Cash	\$ 655,643	\$ 604,200
Investments	1,800,304	1,804,077
Grants Receivable	320,684	387,093
Contributions Receivable	89,149	69,885
Accounts Receivable	4,216	4,207
Prepaid Expenses	27,218	26,871
Total Current Assets	2,897,214	2,896,333
<b>Property &amp; Equipment</b>		
Computer Equipment	193,949	148,619
Medical Equipment	40,804	40,804
Office Equipment	61,343	60,047
Building Improvements	214,909	210,671
	511,005	460,141
Less: Accumulated Depreciation	(365,171)	(297,839)
Total Property & Equipment	145,834	162,302
<b>Other Assets</b>		
Grants Receivable	-	105,759
Contributions Receivable	40,000	60,000
Deposits	1,995	1,995
Total Other Assets	41,995	167,754
Total Assets	\$ 3,085,043	\$ 3,226,389
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts Payable	\$ 12,724	\$ 9,551
Earned Time Off	115,591	81,116
Accrued Payroll and Taxes	41,929	31,107
Total Current Liabilities	170,244	121,774
<b>Net Assets</b>		
Unrestricted	2,411,464	2,522,138
Temporarily Restricted	503,335	582,477
Total Net Assets	2,914,799	3,104,615
Total Liabilities and Net Assets	\$ 3,085,043	\$ 3,226,389

See notes to financial statements.

**FAITH FAMILY MEDICAL CENTER, INC.**  
**Statements of Activities**  
**For the Years Ended December 31, 2015 and 2014**

	<b>2015</b>			<b>2014</b>		
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
<b>Revenue and Support</b>						
Medical Services, Net	\$ 185,754	\$ -	\$ 185,754	\$ 212,541	\$ -	\$ 212,541
Contributions	805,465	29,400	834,865	893,493	18,200	911,693
Grants	351,375	266,835	618,210	291,525	545,977	837,502
Investment Income (Loss), Net	(5,389)	-	(5,389)	83,469	-	83,469
Donated Professional Services	91,383	-	91,383	113,587	-	113,587
Donated Rent	62,082	-	62,082	62,712	-	62,712
Donated Equipment and Supplies	12,312	-	12,312	4,365	-	4,365
Interest and Other Income	11,419	-	11,419	30,126	-	30,126
Net Assets Released from Restrictions	375,377	(375,377)	-	318,868	(318,868)	-
Total Revenue and Support	<u>1,889,778</u>	<u>(79,142)</u>	<u>1,810,636</u>	<u>2,010,686</u>	<u>245,309</u>	<u>2,255,995</u>
<b>Expenses</b>						
<b>Program Expenses</b>	<u>1,594,420</u>	<u>-</u>	<u>1,594,420</u>	<u>1,504,168</u>	<u>-</u>	<u>1,504,168</u>
<b>Supporting Services</b>						
Management and General Expenses	157,450	-	157,450	136,522	-	136,522
Fundraising Expenses	248,582	-	248,582	200,766	-	200,766
Total Supporting Services	<u>406,032</u>	<u>-</u>	<u>406,032</u>	<u>337,288</u>	<u>-</u>	<u>337,288</u>
Total Expenses	<u>2,000,452</u>	<u>-</u>	<u>2,000,452</u>	<u>1,841,456</u>	<u>-</u>	<u>1,841,456</u>
<b>Change in Net Assets</b>	(110,674)	(79,142)	(189,816)	169,230	245,309	414,539
<b>Net Assets - Beginning of Year</b>	<u>2,522,138</u>	<u>582,477</u>	<u>3,104,615</u>	<u>2,352,908</u>	<u>337,168</u>	<u>2,690,076</u>
<b>Net Assets - End of Year</b>	<u>\$ 2,411,464</u>	<u>\$ 503,335</u>	<u>\$ 2,914,799</u>	<u>\$ 2,522,138</u>	<u>\$ 582,477</u>	<u>\$ 3,104,615</u>

See notes to financial statements.

**FAITH FAMILY MEDICAL CENTER, INC.**  
**Statements of Functional Expenses**  
**For the Years Ended December 31, 2015 and 2014**

	2015				2014			
	Program Services	Supporting Services		Total	Program Services	Supporting Services		Total
		Management and General	Fundraising			Management and General	Fundraising	
Advertising and Marketing	\$ 35,709	\$ -	\$ 696	\$ 36,405	\$ 1,016	\$ -	\$ 613	\$ 1,629
Bad Debt	2,547	-	-	2,547	1,966	-	634	2,600
Building Repairs and Maintenance	8,982	550	550	10,082	6,070	623	623	7,316
Salaries	875,788	94,294	108,121	1,078,203	832,080	74,853	100,376	1,007,309
Taxes	61,336	7,236	8,315	76,887	59,803	5,782	7,749	73,334
Benefits	133,291	12,395	14,278	159,964	134,207	6,629	8,887	149,723
Bank Service Charges	2,805	43	1,306	4,154	2,924	8	451	3,383
Contract Labor	29,191	4,163	1,002	34,356	25,322	343	1,636	27,301
Continuing Education	16,027	2,575	1,150	19,752	6,256	1,155	2,394	9,805
Donated Services and Supplies	91,383	-	-	91,383	114,087	-	-	114,087
Dues and Subscriptions	10,381	580	5,744	16,705	4,765	2,445	4,452	11,662
Equipment Repairs and Maintenance	19,453	388	3,440	23,281	19,059	942	4,337	24,338
Fees and Licenses	4,685	-	240	4,925	2,153	22	300	2,475
Insurance	14,802	3,945	1,734	20,481	13,435	3,890	582	17,907
Lab Services	28,838	-	-	28,838	33,699	-	-	33,699
Meals	5,138	1,153	20,615	26,906	5,652	1,142	692	7,486
Miscellaneous	4,634	984	446	6,064	1,310	2,246	125	3,681
Postage and Handling	2,235	31	7,850	10,116	4,213	54	2,117	6,384
Printing and Publications	1,852	158	11,926	13,936	5,778	206	11,246	17,230
Professional Fees	46,765	19,190	12,442	78,397	31,342	23,054	7,622	62,018
Rent - Building	78,632	5,225	5,225	89,082	72,966	7,803	7,803	88,572
Rent - Equipment	6,113	578	605	7,296	7,330	327	432	8,089
Specific Assistance to Individuals	1,043	-	-	1,043	-	-	-	-
Special Events	-	-	32,808	32,808	-	-	30,078	30,078
Supplies - Medical	17,725	-	-	17,725	18,114	-	-	18,114
Supplies - Office	11,724	677	6,198	18,599	14,624	1,236	3,980	19,840
Travel	468	773	102	1,343	5,726	720	313	6,759
Utilities	16,511	895	895	18,301	15,620	1,520	1,312	18,452
Wellness	3,541	-	-	3,541	6,376	-	-	6,376
<b>Total Before Depreciation</b>	<b>1,531,599</b>	<b>155,833</b>	<b>245,688</b>	<b>1,933,120</b>	<b>1,445,893</b>	<b>135,000</b>	<b>198,754</b>	<b>1,779,647</b>
<b>Depreciation</b>	<b>62,821</b>	<b>1,617</b>	<b>2,894</b>	<b>67,332</b>	<b>58,275</b>	<b>1,522</b>	<b>2,012</b>	<b>61,809</b>
<b>Total Expenses</b>	<b>\$ 1,594,420</b>	<b>\$ 157,450</b>	<b>\$ 248,582</b>	<b>\$ 2,000,452</b>	<b>\$ 1,504,168</b>	<b>\$ 136,522</b>	<b>\$ 200,766</b>	<b>\$ 1,841,456</b>

See notes to financial statements.

**FAITH FAMILY MEDICAL CENTER, INC.**  
**Statements of Cash Flows**  
**For the Years Ended December 31, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
<b>Cash Flows from Operating Activities</b>		
Increase in Net Assets	\$ (189,816)	\$ 414,539
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	67,332	61,809
Donated Property and Equipment	(5,650)	(2,800)
Donated Investments	(12,979)	(14,255)
Realized Gain on Sale of Investments	(19,969)	(21,567)
Unrealized Loss on Investments	101,147	29,815
Dividends Re-Invested	(75,789)	(91,717)
(Increase) Decrease in:		
Grants Receivable	172,168	(236,077)
Contributions Receivable	736	25,630
Accounts Receivable	(9)	458
Prepaid Expenses	(347)	(784)
Increase (Decrease) in:		
Accounts Payable	3,174	(16,221)
Earned Time Off	34,475	18,739
Accrued Payroll and Taxes	10,822	2,349
Total Adjustments	<u>275,111</u>	<u>(244,621)</u>
Net Cash Provided by Operating Activities	<u>85,295</u>	<u>169,917</u>
<b>Cash Flows from Investing Activities</b>		
Proceeds from the Sale of Investments	360,362	319,955
Payments for the Purchase of Property & Equipment	(45,214)	(19,372)
Payments for the Purchase of Investments	<u>(349,000)</u>	<u>(305,000)</u>
Net Cash Used by Investing Activities	<u>(33,852)</u>	<u>(4,417)</u>
<b>Net Increase in Cash</b>	51,443	165,501
<b>Cash - Beginning of Year</b>	<u>604,200</u>	<u>438,699</u>
<b>Cash - End of Year</b>	<u>\$ 655,643</u>	<u>\$ 604,200</u>

See notes to financial statements.

**FAITH FAMILY MEDICAL CENTER, INC.**  
**Notes to Financial Statements**  
**December 31, 2015 and 2014**

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

**A. Organization and Nature of Activities**

Faith Family Medical Center, Inc. ("the Center") is organized under the laws of the State of Tennessee to provide primary medical care and related healthcare services to working uninsured and other underserved individuals and their families in the greater Nashville area. The Center funds its operations from patient fees, contributions, grants and investment income.

**B. Basis of Accounting**

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

**C. Financial Statement Presentation**

Financial statement presentation is reported in accordance with the FASB Accounting Standards Codification for *Presentation of Financial Statements, Not-For-Profit Entities*. Under those provisions, net assets and revenues, gains, and losses are classified based on the absence or existence and nature of donor-imposed restrictions as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that can be fulfilled by actions of the Center pursuant to those stipulations or that expire by the passage of time.

**D. Estimates**

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

**E. Cash and Cash Equivalents**

For purposes of the statement of cash flows, cash includes cash on hand, demand deposits, money market, and investments with initial maturities of three months or less. There are no cash equivalents at December 31, 2015 and 2014.

**F. Contributions and Grants Receivable**

Contributions and grants receivable are recorded at fair value for all unconditional promises to give. Management has evaluated the collectability of contributions receivable based on historical data and collections subsequent to year end and has determined that an allowance for uncollectible contributions is not necessary.

**G. Accounts Receivable**

Accounts receivable consists primarily of amounts due from patients for services provided by the Center. An allowance for doubtful accounts is established based on review of collection history. Receivables are written off when a balance is determined to be uncollectible, generally when it is past due for more than one year. Accounts receivable as of December 31, 2015 and 2014 are expected to be collected within one year. As a result, management has determined that an allowance for uncollectible accounts is not necessary.

**H. Property and Equipment**

It is the Center's policy to capitalize property and equipment over \$1,000. Purchased property and equipment are recorded at cost if purchased or fair market value if donated. Depreciation is provided using the double-declining balance and straight-line methods over the estimated useful lives of the assets ranging from 3 to 10 years. Repairs and maintenance are expensed as incurred. Total depreciation expense for the years ended December 31, 2015 and 2014 is \$67,332 and \$61,809.

**FAITH FAMILY MEDICAL CENTER, INC.**  
**Notes to Financial Statements – Continued**  
**December 31, 2015 and 2014**

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

**I. Fair Market Value**

Management has adopted the *Fair Value Measurements and Disclosures* topic of the FASB Accounting Standards Codification for determining fair value of financial assets and liabilities that are required to be carried at such amounts. Fair value is required to be evaluated and adjusted according to the following valuation techniques:

Level 1: Fair value is determined using quoted market prices in active markets for identical assets and liabilities.

Level 2: Fair value is determined using quoted market prices in active markets for similar assets and liabilities.

Level 3: Fair value is determined using unobservable market prices in a market that is typically inactive.

**J. Earned Time Off**

Employees earn leave beginning with the pay period they are hired. Employees use their earned time off for vacation, personal time, sick days and eight holidays. Eligible part-time employees earn leave on a pro-rata basis based on the number of hours worked. Full-time employees earn leave days per year as follows:

Years of Service:	Hired Prior to December 31, 2009	Hired After January 1, 2010
Up to five years consecutive service	30	25
Five to ten years consecutive service	35	30
Ten years of consecutive service and subsequent	40	35

No more than one and one-half the amount of annual leave hours earned may accrue at any one time. At December 31, 2015 and 2014, earned time off is \$115,591 and \$81,116.

**K. Medical Services Revenue**

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

**L. Contributions**

Contributions are received and recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Contributed goods and assets are recorded at fair market 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.

Contributed services are reflected in the financial statements at the fair value of the services received only when those services either (a) create or enhance nonfinancial assets, or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

**M. Functional Expenses**

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

**FAITH FAMILY MEDICAL CENTER, INC.**  
**Notes to Financial Statements – Continued**  
**December 31, 2015 and 2014**

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

**N. Advertising Costs**

Advertising costs are charged to operations when incurred. Advertising expense is \$36,405 and \$1,629 for the years ended December 31, 2015 and 2014.

**O. Income Taxes**

The Center is a nonprofit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code except on net income derived from unrelated business activities.

**Note 2. Investments**

Investments at December 31, 2015 and 2014 are as follows:

	2015		
	Cost	Fair Market Value	Cumulative Unrealized Gain (Loss)
Equity Securities	\$ 949,557	\$ 1,087,935	\$ 138,378
Corporate Bonds	743,276	712,369	(30,907)
	\$ 1,692,833	\$ 1,800,304	\$ 107,471
	2014		
	Cost	Fair Market Value	Cumulative Unrealized Gain (Loss)
Equity Securities	\$ 906,249	\$ 1,120,593	\$ 214,345
Corporate Bonds	692,288	683,484	(8,805)
	\$ 1,598,537	\$ 1,804,077	\$ 205,540

Investment income for the years ended December 31, 2015 and 2014 consist of the following:

	2015	2014
Realized Gain (Loss), Net	\$ 19,969	\$ 21,567
Unrealized Gain (Loss), Net	(101,147)	(29,815)
Interest and Dividend Income	75,789	91,717
Total Investment Income	\$ (5,389)	\$ 83,469

**Note 3. Grants and Contributions Receivable**

The amounts of grants and contributions receivable as of December 31, 2015 and 2014 are as follows:

	2015	2014
Unrestricted	\$ 81,674	\$ 40,260
Temporarily Restricted	368,159	582,477
	449,833	622,737
Less:		
Discounts for the Time Value of Money	-	-
Grants and Contributions Receivable, Net	\$ 449,833	\$ 622,737

**FAITH FAMILY MEDICAL CENTER, INC.**  
**Notes to Financial Statements – Continued**  
**December 31, 2015 and 2014**

**Note 3. Grants and Contributions Receivable – Continued**

Future collections of grants and contributions as of December 31, 2015 and 2014 are as follows:

	<u>2015</u>	<u>2014</u>
Receivable in Less than One Year	\$ 409,833	\$ 456,978
Receivable in One to Five Years	40,000	165,759
Total Receivables	<u>\$ 449,833</u>	<u>\$ 622,737</u>

**Note 4. Fair Value Measurements**

The following assets carried at fair value are reviewed and adjusted on a recurring basis:

<u>Asset</u>	<u>Fair Value December 31, 2015</u>	<u>Quoted Prices in Active Markets for Identical Assts (Level 1)</u>
Investments	\$ 1,800,304	\$ 1,800,304

<u>Asset</u>	<u>Fair Value December 31, 2014</u>	<u>Quoted Prices in Active Markets for Identical Assts (Level 1)</u>
Investments	\$ 1,804,077	\$ 1,804,077

**Note 5. Temporarily Restricted Net Assets**

Temporarily restricted net assets at December 31, 2015 and 2014 are available for the following purposes:

	<u>2015</u>	<u>2014</u>
Journey to Health Program	\$ 269,018	\$ 374,777
Medical Exams for Women	9,417	5,000
Fixed Assets	-	6,700
Senior Healthcare	50,000	50,000
Salaries and Training	60,000	80,000
Other Time Restrictions	114,900	66,000
	<u>\$ 503,335</u>	<u>\$ 582,477</u>

**Note 6. Conditional Promise to Give**

During the years ended December 31, 2015 and 2014, the Center has been awarded Health Care Safety Net grants from the State of Tennessee. These grants reimburse the Center for primary care medical encounters provided to adults meeting the grant criteria. Once grant criteria are met, the Center recognizes grant revenue and a receivable. The total awarded for the grant periods of July 1, 2015 to June 30, 2016 was \$187,500 and July 1, 2014 to June 30, 2015 was \$235,000.

**Note 7. Donated Property, Equipment and Services**

Donated property, equipment and services are used in the ongoing operations of the Center. The value of donated property, equipment and services included in the financial statements and the corresponding expenditure or asset capitalization for the years ended December 31, 2015 and 2014 are as follows:

**FAITH FAMILY MEDICAL CENTER, INC.**  
**Notes to Financial Statements – Continued**  
**December 31, 2015 and 2014**

**Note 7. Donated Property, Equipment and Services – Continued**

<u>Revenues</u>	<u>2015</u>	<u>2014</u>
Donated Professional Services	\$ 91,383	\$ 113,587
Donated Equipment and Supplies	12,312	4,365
Donated Rent	62,082	62,712
	<u>\$ 165,777</u>	<u>\$ 180,664</u>
<u>Expenses and Assets</u>	<u>2015</u>	<u>2014</u>
Donated Services and Supplies	\$ 91,383	\$ 113,587
Equipment	5,650	4,365
Rent - Building	62,082	62,712
Meals	3,072	-
Special Events	2,590	-
Printing and Publishing	1,000	-
	<u>\$ 165,777</u>	<u>\$ 180,664</u>

The Center receives donated pharmaceutical samples from various sources. These samples are dispensed at the Center to patients. The value of these donated samples has not been determined or recorded in the financial statements.

**Note 8. Pension Plan**

The Center has a simplified employee pension plan (SEP) for the benefit of its employees who have attained the age of eighteen and been employed with the Center for one year. The plan provides for discretionary contributions by the Center determined annually by the Board of Directors. Contributions to the plan are made in accordance with the Internal Revenue Service limits. For the years ended December 31, 2015 and 2014, the Center funded 6% of compensation for eligible employees for a total of \$46,055 and \$45,343.

**Note 9. Operating Leases**

The Center leases a medical office building from Baptist Hospital. The building is located at 326 21st Avenue North in Nashville, Tennessee. The building consists of 3,400 square feet. The Center has negotiated a five year lease expiring on December 31, 2017 for \$1 per year. The fair market retail value for the years ended December 31, 2015 and 2014 of the building is \$19.06 per square foot or \$64,804 per year and \$18.50 per square foot or \$62,900 per year respectively.

The Center leases an apartment that serves as additional office space. The Center has a lease with monthly payments ranging between \$2,340 and \$2,531 and expiring on December 31, 2017.

The Center leases copiers under month-to-month operating leases. Title of ownership does not pass to the lessee at any time.

Future minimum rental payments required under operating leases that have initial or remaining noncancelable base terms in excess of one year as of December 31, 2015:

<u>Year Ending</u> <u>December 31,</u>	<u>Amount</u>
2016	\$ 28,645
2017	29,791
Thereafter	-
Total	<u>\$ 58,436</u>

Rental expense for all operating leases for the years ended December 31, 2015 and 2014 is \$89,082 and \$88,572.

**FAITH FAMILY MEDICAL CENTER, INC.**  
**Notes to Financial Statements – Continued**  
**December 31, 2015 and 2014**

**Note 10. Concentration of Risks**

The Center holds cash with two financial institutions in Nashville, Tennessee. Accounts at all institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At December 31, 2015 and 2014, the Center's cash accounts exceeded the insurance coverage by \$180,123 and \$113,021. The Center believes it is not exposed to any significant credit risk on cash and equivalents.

The Center has a concentration of risk related to revenue. Revenue earned from two sources during the year ended December 31, 2014 was 21% of total revenue.

**Note 11. Subsequent Events**

The Center has evaluated events and transactions for subsequent events that would impact the financial statements for the year ended December 31, 2015 through March 4, 2016, the date the financial statements were available to be issued. There were no subsequent events that require recognition or disclosure in the financial statements.