

**FAITH FAMILY MEDICAL CENTER, INC. AND SUBSIDIARY  
CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2019 AND 2018**

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## Independent Auditor's Report

Board of Directors of  
Faith Family Medical Center, Inc. and Subsidiary

### Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Faith Family Medical Center, Inc. and Subsidiary (a not-for-profit corporation), which comprise the consolidated statements of financial position as of December 31, 2019 and 2018, the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

### 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. and Subsidiary as of December 31, 2019 and 2018, and the changes in their net assets and their cash flows, as applicable, for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Other Matter

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

*Blankenship CPA Group, PLLC*

Blankenship CPA Group, PLLC  
Goodlettsville, Tennessee  
April 7, 2020

**FAITH FAMILY MEDICAL CENTER, INC. AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2019 AND 2018**

	<b>2019</b>	<b>2018</b>
<b>Assets</b>		
<b>Current Assets</b>		
Cash	\$ 331,788	\$ 454,933
Investments	1,923,672	1,725,143
Contributions and Grants Receivable	1,276,912	556,110
Accounts Receivable	11,281	9,304
Prepaid Expenses	29,797	28,200
Total Current Assets	3,573,450	2,773,690
<b>Property and Equipment</b>		
Land	2,233,775	1,924,223
Construction in Progress	1,191,138	233,305
Building and Improvements	214,909	561,723
Computer Equipment	254,756	230,668
Medical Equipment	44,089	44,089
Office Equipment	61,950	61,343
	4,000,617	3,055,351
Less: Accumulated Depreciation	(531,356)	(531,269)
Total Property and Equipment	3,469,261	2,524,082
<b>Other Assets</b>		
Cash Restricted by Donors for Capital Campaign	687,592	1,129,535
Cash Restricted by NMTC	6,101,622	-
Investments Restricted by Capital Campaign	887	1,239,715
Contributions and Grants Receivable, Net	436,434	372,017
Note Receivable - NMTC	6,046,050	-
Deposits	300	300
Total Other Assets	13,272,885	2,741,567
Total Assets	\$ 20,315,596	\$ 8,039,339
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts Payable	\$ 396,530	\$ 17,905
Tenant Deposits Payable	1,495	2,545
Earned Time Off	97,222	83,033
Accrued Payroll and Taxes	65,772	63,184
Total Current Liabilities	561,019	166,667
<b>Long-Term Debt</b>		
Notes Payable, Net	9,889,088	-
Total Liabilities	10,450,107	166,667
<b>Net Assets</b>		
Without Donor Restrictions	2,400,365	2,249,473
With Donor Restrictions	7,465,124	5,623,199
Total Net Assets	9,865,489	7,872,672
Total Liabilities and Net Assets	\$ 20,315,596	\$ 8,039,339

See notes to consolidated financial statements.

**FAITH FAMILY MEDICAL CENTER, INC. AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF ACTIVITIES**  
**DECEMBER 31, 2019 AND 2018**

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue and Support</b>						
Medical Services, Net	\$ 239,365	\$ -	\$ 239,365	\$ 218,774	\$ -	\$ 218,774
Contributions and Grants	1,500,736	2,088,643	3,589,379	1,147,428	3,599,495	4,746,923
Investment (Loss) Income, Net	412,341	-	412,341	(107,023)	-	(107,023)
Donated Medical Services	55,582	-	55,582	71,707	-	71,707
Donated Rent	116,799	-	116,799	66,732	-	66,732
Donated Equipment, Supplies, and Other Services	69,516	-	69,516	69,076	224,184	293,260
Interest and Other Income	99,701	-	99,701	41,506	-	41,506
Net Assets Released from Restrictions	246,718	(246,718)	-	559,905	(559,905)	-
Total Revenue and Support	<u>2,740,758</u>	<u>1,841,925</u>	<u>4,582,683</u>	<u>2,068,105</u>	<u>3,263,774</u>	<u>5,331,879</u>
<b>Expenses</b>						
<b>Program Services</b>	<u>2,115,316</u>	<u>-</u>	<u>2,115,316</u>	<u>1,851,328</u>	<u>-</u>	<u>1,851,328</u>
<b>Supporting Services</b>						
Management and General	117,722	-	117,722	120,075	-	120,075
Fundraising	356,828	-	356,828	402,830	-	402,830
Total Supporting Services	<u>474,550</u>	<u>-</u>	<u>474,550</u>	<u>522,905</u>	<u>-</u>	<u>522,905</u>
Total Expenses	<u>2,589,866</u>	<u>-</u>	<u>2,589,866</u>	<u>2,374,233</u>	<u>-</u>	<u>2,374,233</u>
<b>Change in Net Assets</b>	150,892	1,841,925	1,992,817	(306,128)	3,263,774	2,957,646
<b>Net Assets - Beginning of Year</b>	<u>2,249,473</u>	<u>5,623,199</u>	<u>7,872,672</u>	<u>2,555,601</u>	<u>2,359,425</u>	<u>4,915,026</u>
<b>Net Assets - End of Year</b>	<u>\$ 2,400,365</u>	<u>\$ 7,465,124</u>	<u>\$ 9,865,489</u>	<u>\$ 2,249,473</u>	<u>\$ 5,623,199</u>	<u>\$ 7,872,672</u>

See notes to consolidated financial statements.

**FAITH FAMILY MEDICAL CENTER, INC. AND SUBSIDIARY**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
**DECEMBER 31, 2019**

	<u>Supporting Services</u>				<b>Total</b>
	<b>Program Services</b>	<b>Management and General</b>	<b>Capital Campaign Fundraising</b>	<b>Other Fundraising</b>	
Advertising and Marketing	\$ 8,114	\$ -	\$ 100	\$ 10,194	\$ 18,408
Bad Debt	7,982	-	-	-	7,982
Building Repairs and Maintenance	21,951	713	-	713	23,377
Salaries	1,184,798	72,114	62,416	100,351	1,419,679
Taxes	81,522	5,551	4,460	7,781	99,314
Benefits	153,053	7,198	-	12,886	173,137
Bank Service Charges	5,176	1,817	-	1,186	8,179
Contract Labor	12,553	3,613	1,787	9,149	27,102
Continuing Education	1,197	2,500	-	502	4,199
Donated Medical Services	55,582	-	-	-	55,582
Dues and Subscriptions	15,638	1,817	-	7,860	25,315
Equipment Repairs and Maintenance	28,776	806	3,955	4,250	37,787
Fees and Licenses	17,550	-	-	-	17,550
Insurance	21,569	4,252	-	1,238	27,059
Loan Interest	63,381	210	-	-	63,591
Lab Services	37,589	-	-	-	37,589
Meals	8,797	1,052	1,219	8,562	19,630
Miscellaneous	3,197	-	40	-	3,237
Postage and Handling	5,782	298	1,423	9,885	17,388
Printing and Publications	2,605	33	2,963	21,850	27,451
Professional Fees	121,774	12,101	47,550	14,659	196,084
Rent - Building	116,799	-	-	-	116,799
Rent - Equipment	11,406	378	-	954	12,738
Specific Assistance to Individuals	5,414	-	-	-	5,414
Special Events	3,301	-	2,910	9,305	15,516
Supplies - Medical	33,811	-	-	-	33,811
Supplies - Office	16,349	579	555	1,558	19,041
Travel	1,724	161	-	203	2,088
Utilities	29,483	1,327	-	1,327	32,137
Wellness	5,333	-	-	-	5,333
<b>Total Before Depreciation</b>	<b>2,082,206</b>	<b>116,520</b>	<b>129,378</b>	<b>224,413</b>	<b>2,552,517</b>
Depreciation	33,110	1,202	-	3,037	37,349
<b>Total Expenses</b>	<b>\$ 2,115,316</b>	<b>\$ 117,722</b>	<b>\$ 129,378</b>	<b>\$ 227,450</b>	<b>\$ 2,589,866</b>

See notes to consolidated financial statements.

**FAITH FAMILY MEDICAL CENTER, INC. AND SUBSIDIARY**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
**DECEMBER 31, 2018**

	<u>Supporting Services</u>				<b>Total</b>
	<b>Program Services</b>	<b>Management and General</b>	<b>Capital Campaign Fundraising</b>	<b>Other Fundraising</b>	
Advertising and Marketing	\$ 30,477	\$ 296	\$ -	\$ 8,099	\$ 38,872
Bad Debt	6,750	-	-	3,750	10,500
Building Repairs and Maintenance	17,465	1,048	675	1,048	20,236
Salaries	1,110,848	46,624	52,369	47,133	1,256,974
Taxes	76,616	3,614	3,480	3,862	87,572
Benefits	113,778	5,211	5,321	13,471	137,781
Bank Service Charges	3,766	15	125	1,340	5,246
Contract Labor	38,465	14,635	1,927	22,200	77,227
Continuing Education	4,410	433	-	4,482	9,325
Donated Medical Services	71,707	-	-	-	71,707
Dues and Subscriptions	7,664	2,967	22	7,369	18,022
Equipment Repairs and Maintenance	22,966	347	605	2,289	26,207
Fees and Licenses	5,220	-	-	240	5,460
Insurance	20,249	4,408	-	1,450	26,107
Loan Interest	45,115	3,111	3,456	3,064	54,746
Lab Services	30,185	-	-	-	30,185
Meals	6,194	2,624	1,470	33,784	44,072
Miscellaneous	2,643	337	1	1,044	4,025
Postage and Handling	1,816	38	-	7,388	9,242
Printing and Publications	2,306	96	207	11,631	14,240
Professional Fees	39,663	24,136	102,910	14,805	181,514
Rent - Building	58,758	3,987	-	3,987	66,732
Rent - Equipment	7,734	418	-	876	9,028
Specific Assistance to Individuals	5,434	-	-	-	5,434
Special Events	-	-	200	24,868	25,068
Supplies - Medical	20,438	-	-	-	20,438
Supplies - Office	16,532	1,005	291	3,646	21,474
Travel	3,498	184	-	257	3,939
Utilities	34,544	1,710	-	1,755	38,009
Wellness	5,034	-	-	-	5,034
<b>Total Before Depreciation</b>	<b>1,810,275</b>	<b>117,244</b>	<b>173,059</b>	<b>223,838</b>	<b>2,324,416</b>
Depreciation	41,053	2,831	3,144	2,789	49,817
<b>Total Expenses</b>	<b>\$ 1,851,328</b>	<b>\$ 120,075</b>	<b>\$ 176,203</b>	<b>\$ 226,627</b>	<b>\$ 2,374,233</b>

See notes to consolidated financial statements.

**FAITH FAMILY MEDICAL CENTER, INC. AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

	<b>2019</b>	<b>2018</b>
<b>Cash Flows from Operating Activities</b>		
Change in Net Assets	\$ 1,992,817	\$ 2,957,646
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	37,349	49,817
Amortization on Debt Issuance Costs	3,929	-
Donated Property and Equipment	-	(203,250)
Donated Investments	(75,819)	(117,521)
Realized Gain on Sale of Investments	12,545	(586)
Unrealized Loss on Investments	(299,380)	213,075
Dividends Re-Invested	(87,238)	(91,208)
(Increase) Decrease in:		
Contributions and Grants Receivable, Net	(785,219)	194,926
Accounts Receivable	(1,977)	(328)
Prepaid Expenses	(1,597)	4,452
Contributions Restricted for Capital Campaign	(741,793)	(652,246)
Increase (Decrease) in:		
Accounts Payable	378,625	(3,119)
Tenant Deposits Payable	(1,050)	-
Earned Time Off	14,189	8,682
Accrued Payroll and Taxes	2,588	12,544
Total Adjustments	<u>(1,544,848)</u>	<u>(584,762)</u>
Net Cash Provided by Operating Activities	<u>447,969</u>	<u>2,372,884</u>
<b>Cash Flows from Investing Activities</b>		
Proceeds from the Sale of Investments	3,420,900	861,501
Payments for the Purchase of Investments	(1,930,709)	(1,846,196)
Payments for the Purchase of Property and Equipment	<u>(654,300)</u>	<u>(1,203,547)</u>
Net Cash Provided (Used) by Investing Activities	<u>835,891</u>	<u>(2,188,242)</u>
<b>Cash Flows from Financing Activities</b>		
Collections of Contributions Restricted for Capital Campaign	413,565	660,867
Issuance of Note Receivable - NMTC	(6,046,050)	-
Borrowings on Notes Payable	10,356,634	-
Payments for Debt Issuance Costs	(471,475)	-
Payments on Notes Payable	<u>-</u>	<u>(1,092,712)</u>
Net Cash Provided (Used) by Financing Activities	<u>4,252,674</u>	<u>(431,845)</u>
<b>Net Increase (Decrease) in Cash</b>	5,536,534	(247,203)
<b>Cash - Beginning of Year</b>	<u>1,584,468</u>	<u>1,831,671</u>
<b>Cash - End of Year</b>	<u>\$ 7,121,002</u>	<u>\$ 1,584,468</u>

See notes to consolidated financial statements.



**FAITH FAMILY MEDICAL CENTER, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

**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 Organization funds its operations from patient fees, contributions, grants and investment income.

The Organization established an entity called FFMC Support Organization as part of the New Market Tax Credit (NMTC) transaction during 2019, which provided funding for the Center's new medical facility. FFMC Support Organization (Support Organization) is a sole member organization controlled by the Center.

The Center and the Support Organization are collectively referred to herein as the Organization.

**B. Basis of Accounting**

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

**C. Principles of Consolidation**

In accordance with the provisions of FASB ASC 958-810 Not-for-Profit Entities/Consolidations, the financial statements of the Organization and the Support Organization have been consolidated and all inter-organization transactions and accounts have been eliminated for 2019. The 2018 financial statements require no consolidation.

**D. Financial Statement Presentation**

Financial statement presentation is reported in accordance with the Financial Accounting Standards Board (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:

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.

Net Assets With Donor Restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are released from restrictions and reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

**E. Estimates**

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**F. Cash and Cash Equivalents**

For purposes of the consolidated statements of cash flows, cash includes cash on hand, demand deposits, money market, and investments with initial maturities of three months or less. Cash and cash equivalents also include NMTC cash in bank accounts as part of the NMTC transaction. Separate cash accounts are required to track NMTC activity in order to comply with NMTC regulations. The NMTC cash balance as of December 31, 2019, is \$6,101,622. There are no cash equivalents at December 31, 2019 and 2018.

**FAITH FAMILY MEDICAL CENTER, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2019 AND 2018**

**Note 1 – Summary of Significant Accounting Policies (Continued)**

**G. 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.

**H. Accounts Receivable**

Accounts receivable consists primarily of amounts due from patients for services provided by the Organization. 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, 2019 and 2018, are expected to be collected within one year. As a result, management has determined that an allowance for uncollectible accounts is not necessary.

**I. Note Receivable – NMTC**

The note receivable – NMTC is collateralized by the membership interests related to the NMTC transaction (see Notes 6 and 7) and is stated at the principal amount. Management assesses the credit quality of the NMTC note based on indicators such as collateralization and collection experience. As of December 31, 2019, no allowance has been established.

**J. Property and Equipment**

It is the Organization’s policy to capitalize property and equipment over \$1,000. Purchased property and equipment are recorded at cost or estimated fair market value if donated. Depreciation is provided using the straight-line method over the estimated useful lives of the assets ranging from 3 to 30 years. Repairs and maintenance are expensed as incurred. Total depreciation expense for the years ended December 31, 2019 and 2018, is \$37,349 and \$49,817.

**K. 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.

**L. 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, 2019 and 2018, earned time off is \$97,222 and \$83,033.

**FAITH FAMILY MEDICAL CENTER, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2019 AND 2018**

**Note 1 – Summary of Significant Accounting Policies (Continued)**

**M. Medical Services Revenue**

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers, which supersedes most of the current revenue recognition requirements (ASC 606). The core principle of the new guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The Organization implemented the new standard beginning January 1, 2019 using a modified retrospective approach. The principal change relates to how the new standard requires healthcare providers to estimate the amount of variable consideration to be included in the transaction price up to an amount which is probable that a significant reversal will not occur. The most common forms of variable consideration that the Organization experiences are amounts for medical services provided, which are recorded at established rates with charity allowances deducted to arrive at net medical services revenue. There were no other changes to revenues upon implementation.

**N. Contributions**

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence of any donor-imposed 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, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

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

**O. Program and Supporting Services**

The following program and supporting services are included in the accompanying consolidated financial statements:

Program Services – includes the direct cost of providing affordable, quality primary medical care to those who are uninsured or underinsured.

Management and General – includes the functions necessary to ensure an adequate working environment and costs not identifiable with a single program. Applicable costs include those associated with providing coordination and articulation of the Organization's program strategy, business management, general record keeping, budgeting and related purposes.

Capital Campaign Fundraising - includes costs of activities directed toward appeals for financial support of the ongoing capital campaign. The primary purpose of the capital campaign is to construct a new medical office building.

Other Fundraising - includes costs of activities directed toward appeals for financial support, including special events and the ongoing capital campaign. Other activities include the cost of solicitations and creation and distribution of fundraising materials.

**FAITH FAMILY MEDICAL CENTER, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2019 AND 2018**

**Note 1 – Summary of Significant Accounting Policies (Continued)**

**P. Functional Expenses**

The costs of providing program services have been summarized on a functional basis in the consolidated statements of activities. Some costs have been charged using specific identification. The costs that include a reasonable allocation method are as follows:

Expense	Method of Allocation
Building Repairs and Maintenance	Square Footage
Salaries, Taxes and Benefits	Time and Effort
Insurance	Time and Effort
Loan Interest	Square Footage
Meals	Time and Effort
Miscellaneous	Time and Effort
Postage and Handling	Time and Effort
Printing and Publications	Time and Effort
Rent – Building	Square Footage
Rent – Equipment	Square Footage
Supplies – Office	Time and Effort
Travel	Time and Effort
Utilities	Square Footage

**Q. Advertising Costs**

Advertising costs are charged to operations when incurred. Advertising expense is \$18,408 and \$38,872 for the years ended December 31, 2019 and 2018.

**R. Income Taxes**

The Organization is a not-for-profit 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.

**S. Reclassifications**

Certain reclassifications have been made to the 2018 financial statement to conform to the 2019 presentation.

**Note 2 – New Market Tax Credit**

On August 27, 2019, the Organization entered into a NMTC financing transaction to partially fund the construction of a new Nashville building. The NMTC program is designed to spur new or increased investments into operating businesses and real estate projects located in low-income communities by offering the NMTC investor a federal tax credit in exchange for their investments. To earn the tax credit the NMTC Investor must remain invested for a seven-year period, which will end in 2026 for the Organization’s project. As part of this financing arrangement the Organization issued a \$6,046,050 note receivable to FFMC Nashville Investment Fund, LLC (Investment Fund). The Investment Fund is wholly owned by SunTrust Community Capital, LLC (NMTC Investor). The Investment Fund in turn wholly owns the TRF NMTC Fund XLV, LP. TRF NMTC Fund XLV, LP made loans totaling \$8,500,000 to the Organization’s project. As part of this financing arrangement, the Organization entered into a put and call agreement (Agreement) to take place at the end of the seven-year tax credit period. Under the Agreement, the NMTC Investor can exercise the put option to sell all interests in the Investment Fund to the Organization for \$1,000. If the NMTC Investor does not exercise that put option then the agreement allows the Organization to exercise a call option to purchase the NMTC Investor’s interest in the Investment Fund at an appraised fair market value. The Organization is the leveraged lender in this transaction and obtained a loan from The Reinvestment Fund, Inc. (Note 7).

As part of the transaction, the Organization deeded the land related to the Nashville building to the Support Organization. In addition, the Support Organization reimbursed the Organization for construction-related costs of \$1,457,153. Any amount remaining on the Organization’s books related to the Nashville building after the reimbursement of construction-related costs will be considered a transfer to the Support Organization. These transactions have been eliminated in consolidation.

**FAITH FAMILY MEDICAL CENTER, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2019 AND 2018**

**Note 3 – Availability and Liquidity**

The following represents the Organization’s financial assets at December 31:

	<u>2019</u>	<u>2018</u>
Financial assets:		
Cash	\$ 7,121,002	\$ 1,584,468
Investments	1,924,559	2,964,858
Receivables	<u>1,724,627</u>	<u>937,431</u>
Total financial assets at year end:	<u>10,770,188</u>	<u>5,486,757</u>
Less amounts not available to be used within one year:		
Cash Restricted by Donors for Capital Campaign	687,592	1,129,535
Cash Restricted by NMTC	6,101,622	-
Investments Restricted by Capital Campaign	887	1,239,715
Capital Campaign Contributions Receivable	<u>1,526,550</u>	<u>774,861</u>
	<u>8,316,651</u>	<u>3,144,111</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,453,537</u>	<u>\$ 2,342,646</u>

The Organization’s goal is to maintain financial assets to meet three months of operating expenses which is estimated by the Organization to be \$604,185. As part of its liquidity plan, excess cash is invested in money market accounts and investments in equities and mutual funds.

**Note 4 – Investments**

Investments are reported at fair value on a recurring basis determined by reference to quoted market prices in active markets (Level 1).

Fair value of investments as of December 31 is as follows:

	<u>2019</u>	<u>2018</u>
Equities	\$ 887	\$ -
Mutual Funds	1,107,516	2,470,685
Exchange-Traded Funds	<u>816,157</u>	<u>494,173</u>
	<u>\$ 1,923,673</u>	<u>\$ 2,964,858</u>

Investment income for the years ended December 31, 2019 and 2018 consist of the following:

	<u>2019</u>	<u>2018</u>
Realized Gain, Net	\$ (12,545)	\$ 586
Unrealized Loss, Net	314,989	(213,075)
Interest and Dividend Income	125,506	119,672
Investment Fees	<u>(15,609)</u>	<u>(14,206)</u>
Total Investment (Loss) Income	<u>\$ 412,341</u>	<u>\$ (107,023)</u>

**FAITH FAMILY MEDICAL CENTER, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2019 AND 2018**

**Note 5 – Contributions and Grants Receivable**

The amounts of contributions and grants receivable as of December 31, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Contributions and Grants Receivable	\$ 1,764,423	\$ 976,755
Less:		
Discounts for the Time Value of Money	(46,277)	(43,828)
Allowance for Doubtful Accounts	<u>(4,800)</u>	<u>(4,800)</u>
Contributions and Grants Receivable, Net	<u>\$ 1,713,346</u>	<u>\$ 928,127</u>

Future collections of contributions and grants as of December 31, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Receivable in Less than One Year	\$ 1,276,912	\$ 556,110
Receivable in One to Five Years	<u>436,434</u>	<u>372,017</u>
Total Receivables	<u>\$ 1,713,346</u>	<u>\$ 928,127</u>

Gross contributions have been discounted to account for the time value of money using the discount rate of 4.5%. The rate was determined using a risk adjusted discount rate technique after an allowance had been established.

**Note 6 – Note Receivable – NMTC**

The note receivable – NMTC is due from FFMC Nashville Investment Fund, LLC (an unrelated party) with interest at 1% per annum until July 15, 2026; at which point interest and principal payments will be due quarterly until maturity on August 27, 2047. The note is collateralized by a security interest in the membership interests of the community development entity, TRF NMTC Fund XLV, LP.

The loan and regulatory agreement restrict the use of the funds to the Organization who qualifies as a qualified active low-income community business for the term of the note. The balance due to the Organization at December 31, 2019 is \$6,046,050 (see Note 7).

The interest income on the note receivable – NMTC is approximately \$60,460 per year.

**Note 7 – Long-Term Debt**

On August 27, 2019, as part of the NMTC transaction, the Organization made a loan of \$6,046,050 to the Investment Fund. The loan is due August 27, 2047, and carries an annual interest rate of 1% (see Note 6).

On August 27, 2019 the Organization entered into a source loan and security agreement (Source Loan) with The Reinvestment Fund (TRF) in order to fund its loan to the Investment Fund. The Source Loan is for \$1,856,634 with an interest rate of 5% and matures on August 27, 2022. Interest only payments are due monthly and the entire principal balance is due upon maturity. The collateral for the Source Loan is the Organization's interest in the note receivable from the Investment Fund (Note Receivable – NMTC). In conjunction with the Source Loan, the Organization is required to deposit all funds paid pursuant to any pledges in a given calendar month into a controlled funding account which had a balance of \$510,412 at December 31, 2019. The Reinvestment Fund has a security interest in and sole control over the account. The balance on the Source Loan was \$1,856,634 at December 31, 2019.

In conjunction with the Organization's note receivable, SunTrust Community Capital, LLC (NMTC Investor) contributed \$2,741,450 to the Investment Fund. The NMTC Investor will receive tax credits in return for its investment in the Investment Fund. The Investment Fund used the collective proceeds from the Organization and the NMTC Investor to fund a Community Development Entity (CDE), TRF NMTC Fund XLV, LLP.

**FAITH FAMILY MEDICAL CENTER, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2019 AND 2018**

**Note 7 – Long-Term Debt (Continued)**

The Support Organization entered into an \$8,500,000 loan agreement with TRF NMTC Fund XLV, LP. The loan consists of two tranches, Loan A in the amount of \$6,046,050 and Loan B in the amount of \$2,453,950, both of which have an interest rate of 1.2115% per annum. Interest payments are due and payable quarterly, in arrears, beginning October 1, 2019. Commencing on January 1, 2027, quarterly payments of principal and interest are due in arrears until maturity. The loans mature on August 27, 2049. The loans are secured by a deed of trust, security agreement, assignment of rents and leases and financing statement on the Nashville property. The note payable is \$8,500,000 at December 31, 2019. A portion of the proceeds is to be held in a reserve fund for payment of a portion of the debt service and certain other expenses of the Support Organization. Proceeds of the loan that have not been spent on construction or moved to the reserve account are held in a disbursement account. The reserve account and disbursement account are under the control of TRF NMTC Fund XLV, LP and have balances of \$409,001 and \$5,602,424 respectively at December 31, 2019.

The NMTCs were allocated in this transaction pursuant to Section 45D of the IRC. After the seven-year NMTC compliance period expires, it is anticipated that the NMTC Investor will exercise its put option to sell its ownership interest in the Investment Fund to the Organization for \$1,000. If the NMTC Investor does not exercise that put option then the put and call agreement allows the Organization to exercise a call option to purchase the NMTC Investor's interest in the Investment Fund at an appraised fair value. If the exit transactions are completed, the Organization will be the holder of the Investment Fund's note payable and, as such, the loan has been eliminated in the consolidated financial statements. It is anticipated that the loans will be discharged.

**Note 8 – Net Assets**

Net assets with donor restrictions were as follows for the years ended December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Journey to Health Program	\$ -	\$ 47,000
Medical Exams for Women	-	7,500
Capital Campaign	7,377,203	5,403,578
Technology	32,921	32,921
Other Time Restrictions	55,000	132,200
	<u>\$ 7,465,124</u>	<u>\$ 5,623,199</u>

**Note 9 – Conditional Promise to Give**

During the years ended December 31, 2019 and 2018, the Organization was awarded Health Care Safety Net grants from the State of Tennessee. These grants reimburse the Organization for primary care medical encounters provided to adults meeting the grant criteria. Once grant criteria are met, the Organization recognizes grant revenue and a receivable.

**Note 10 – Donated 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 for the years ended December 31, 2019 and 2018, are as follows:

<u>Revenues</u>	<u>2019</u>	<u>2018</u>
Donated Medical Services	\$ 55,582	\$ 71,707
Donated Equipment, Supplies, and Other Services	69,516	293,260
Donated Rent	116,799	66,732
	<u>\$ 241,897</u>	<u>\$ 431,699</u>

**FAITH FAMILY MEDICAL CENTER, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2019 AND 2018**

**Note 10 – Donated Property, Equipment and Services (Continued)**

<u>Expenses and Assets</u>	<u>2019</u>	<u>2018</u>
Donated Services and Supplies	\$ 118,486	\$ 134,171
Property and Equipment	-	224,184
Rent - Building	116,799	66,732
Utilities	6,612	6,612
	<u>\$ 241,897</u>	<u>\$ 431,699</u>

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

**Note 11 – Pension Plan**

The Organization 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 Organization for one year. The plan provides for discretionary contributions by the Organization 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, 2019 and 2018, the Organization funded 6% of compensation for eligible employees for a total of \$65,975 and \$51,355.

**Note 12 – Operating Leases**

The Organization leases a donated medical office building from Saint Thomas Midtown Hospital. The 3,400 square foot building is located at 326 21st Avenue North in Nashville, Tennessee. The fair market retail value for the years ended December 31, 2019 and 2018, of the building is \$21.45 per square foot or \$72,930 and \$20.83 per square foot or \$70,822, respectively.

Using the funds raised by the capital campaign, the Organization is in the process of constructing a new primary care medical clinic on property owned by the Organization and adjacent to the current leased medical office building. Under terms of the negotiated lease expiring on December 31, 2067, the Organization will demolish the existing medical office building and replace it with a parking lot to be used by the new primary care medical clinic owned by the Organization. The new medical office building and parking lot will be owned by the Support Organization and leased to the Center. The associated lease income and expense will be eliminated upon consolidation.

The Organization leases copiers for a monthly payment of \$466. The lease terminates in April 2023.

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, 2019:

<u>Operating Leases</u> <u>Year Ending</u> <u>December 31,</u>	<u>Amount</u>
2020	\$ 5,592
2021	5,592
2022	5,592
2023	1,864
Total	<u>\$ 18,640</u>

Rental expense for all operating leases for the years ended December 31, 2019 and 2018, is \$0 and \$0.



**FAITH FAMILY MEDICAL CENTER, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2019 AND 2018**

**Note 13 – Concentration of Risks**

The Organization is conducting a three year capital campaign to fund the expansion of its facilities. The campaign was started in 2017. For the year ended December 31, 2019, one capital campaign donor accounted for 14% of total revenue and support. For the year ended December 31, 2018, two capital campaign donor accounted for 37% of total revenue and support.

The Organization holds cash with three financial institutions in Nashville, Tennessee. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At December 31, 2019 and 2018, the Organization’s cash accounts exceeded the insurance coverage by \$6,222,702 and \$987,247. The Organization believes it is not exposed to any significant credit risk on cash and equivalents.

**Note 14 – Supplemental Cash Flow Disclosure**

Supplemental cash flow disclosure is as follows for the years ended December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Cash Paid During the Year for:		
Interest	\$ 63,591	\$ 54,746
Property Acquired with Debt	\$ 328,228	\$ -
Reconciliation of Cash to Statements of Financial Position:		
Cash	\$ 331,788	\$ 454,933
Cash Restricted by Donors for Capital Campaign	687,592	1,129,535
Cash Restricted by NMTC	6,101,622	-
	<u>\$ 7,121,002</u>	<u>\$ 1,584,468</u>

**Note 15 – Upcoming Accounting Pronouncements**

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. This new accounting guidance will increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. This standard is effective for nonpublic entities for fiscal years beginning after December 15, 2020.

In August 2018, the FASB issued ASU 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 will result in treatment of most federal grants as donor-restricted conditional contributions rather than exchange transactions and applies to all entities that make or receive contributions. This standard is effective for nonpublic entities for fiscal years beginning after December 15, 2019.

The Organization is currently evaluating the effect that implementation of the new standards will have on its financial position, results of operations, and cash flows.

**Note 16 – Subsequent Events**

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a “Public Health Emergency of International Concern” and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Organization operates. While it is unknown how long these conditions will last and what the complete financial effect will be to the organization, to date, the Organization has experienced investment losses. Additionally, it is reasonably possible that estimates made in the financial statements have been, or will be, materially and adversely impacted in the near term as a result of these conditions, including further losses on investments and a decrease in contributions.

**FAITH FAMILY MEDICAL CENTER, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2019 AND 2018**

**Note 16 – Subsequent Events (Continued)**

The Organization has evaluated events and transactions for subsequent events that would impact the consolidated financial statements for the year ended December 31, 2019, through April 7, 2020, the date the consolidated financial statements were available to be issued.

**SUPPLEMENTARY INFORMATION**

**FAITH FAMILY MEDICAL CENTER, INC. AND SUBSIDIARY**  
**CONSOLIDATING SCHEDULE OF FINANCIAL POSITION**  
**DECEMBER 31, 2019**

	<u>FFMC</u>	<u>FSO</u>	<u>Eliminating</u>	<u>Totals</u>
	<b>Assets</b>			
<b>Current Assets</b>				
Cash	\$ 328,987	\$ 2,801	\$ -	\$ 331,788
Investments	1,923,672	-	-	1,923,672
Contributions and Grants Receivable	1,276,912	-	-	1,276,912
Accounts Receivable	11,281	-	-	11,281
Prepaid Expenses	29,797	-	-	29,797
Due From Support Organization	1,086,153	-	(1,086,153)	-
Total Current Assets	<u>4,656,802</u>	<u>2,801</u>	<u>(1,086,153)</u>	<u>3,573,450</u>
<b>Property and Equipment</b>				
Land	-	2,233,775	-	2,233,775
Construction in Progress	-	1,191,138	-	1,191,138
Building and Improvements	214,909	-	-	214,909
Computer Equipment	254,756	-	-	254,756
Medical Equipment	44,089	-	-	44,089
Office Equipment	61,950	-	-	61,950
	<u>575,704</u>	<u>3,424,913</u>	<u>-</u>	<u>4,000,617</u>
Less: Accumulated Depreciation	<u>(531,356)</u>	<u>-</u>	<u>-</u>	<u>(531,356)</u>
Total Property and Equipment	<u>44,348</u>	<u>3,424,913</u>	<u>-</u>	<u>3,469,261</u>
<b>Other Assets</b>				
Cash Restricted by Donors for Capital Campaign	687,592	-	-	687,592
Cash Restricted by NMTC	90,197	6,011,425	-	6,101,622
Investments Restricted by Capital Campaign	887	-	-	887
Contributions and Grants Receivable, Net	436,434	-	-	436,434
Note Receivable - NMTC	6,046,050	-	-	6,046,050
Deposits	300	-	-	300
Total Other Assets	<u>7,261,460</u>	<u>6,011,425</u>	<u>-</u>	<u>13,272,885</u>
Total Assets	<u>\$ 11,962,610</u>	<u>\$ 9,439,139</u>	<u>\$ (1,086,153)</u>	<u>\$ 20,315,596</u>
	<b>Liabilities and Net Assets</b>			
<b>Current Liabilities</b>				
Accounts Payable	\$ 42,558	\$ 353,972	\$ -	\$ 396,530
Tenant Deposits Payable	1,495	-	-	1,495
Earned Time Off	97,222	-	-	97,222
Accrued Payroll and Taxes	65,772	-	-	65,772
Due to Center	-	1,086,153	(1,086,153)	-
Total Current Liabilities	<u>207,047</u>	<u>1,440,125</u>	<u>(1,086,153)</u>	<u>561,019</u>
<b>Long-Term Debt</b>	<u>1,856,634</u>	<u>8,032,454</u>	<u>-</u>	<u>9,889,088</u>
Total Liabilities	<u>2,063,681</u>	<u>9,472,579</u>	<u>(1,086,153)</u>	<u>10,450,107</u>
<b>Net Assets</b>				
Without Donor Restrictions	2,433,805	(33,440)	-	2,400,365
With Donor Restrictions	7,465,124	-	-	7,465,124
Total Net Assets	<u>9,898,929</u>	<u>(33,440)</u>	<u>-</u>	<u>9,865,489</u>
Total Liabilities and Net Assets	<u>\$ 11,962,610</u>	<u>\$ 9,439,139</u>	<u>\$ (1,086,153)</u>	<u>\$ 20,315,596</u>

See independent auditor's report.

**FAITH FAMILY MEDICAL CENTER, INC. AND SUBSIDIARY**  
**CONSOLIDATING SCHEDULE OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	FFMC			FSO			Consolidated	
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total	Eliminating	Totals
<b>Revenue and Support</b>								
Medical Services, Net	\$ 239,365	\$ -	\$ 239,365	\$ -	\$ -	\$ -	\$ -	\$ 239,365
Contributions and Grants	1,500,736	2,088,643	3,589,379	-	-	-	-	3,589,379
Investment Income, Net	412,341	-	412,341	-	-	-	-	412,341
Donated Medical Services	55,582	-	55,582	-	-	-	-	55,582
Donated Rent	116,799	-	116,799	-	-	-	-	116,799
Donated Equipment, Supplies, and Other Services	69,516	-	69,516	-	-	-	-	69,516
Interest and Other Income	89,290	-	89,290	10,411	-	10,411	-	99,701
Net Assets Released from Restrictions	246,718	(246,718)	-	-	-	-	-	-
Total Revenue and Support	<u>2,730,347</u>	<u>1,841,925</u>	<u>4,572,272</u>	<u>10,411</u>	<u>-</u>	<u>10,411</u>	<u>-</u>	<u>4,582,683</u>
<b>Expenses</b>								
<b>Program Services</b>	<u>2,071,465</u>	<u>-</u>	<u>2,071,465</u>	<u>43,851</u>	<u>-</u>	<u>43,851</u>	<u>-</u>	<u>2,115,316</u>
<b>Supporting Services</b>								
Management and General	117,722	-	117,722	-	-	-	-	117,722
Fundraising	356,828	-	356,828	-	-	-	-	356,828
Total Supporting Services	<u>474,550</u>	<u>-</u>	<u>474,550</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>474,550</u>
Total Expenses	<u>2,546,015</u>	<u>-</u>	<u>2,546,015</u>	<u>43,851</u>	<u>-</u>	<u>43,851</u>	<u>-</u>	<u>2,589,866</u>
<b>Change in Net Assets</b>	184,332	1,841,925	2,026,257	(33,440)	-	(33,440)	-	1,992,817
<b>Net Assets - Beginning of Year</b>	<u>2,249,473</u>	<u>5,623,199</u>	<u>7,872,672</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,872,672</u>
<b>Net Assets - End of Year</b>	<u>\$ 2,433,805</u>	<u>\$ 7,465,124</u>	<u>\$ 9,898,929</u>	<u>\$ (33,440)</u>	<u>\$ -</u>	<u>\$ (33,440)</u>	<u>\$ -</u>	<u>\$ 9,865,489</u>

See independent auditor's report.