TENNESSEE MEDICAL FOUNDATION, INC.

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

DECEMBER 31, 2018 AND 2017

DRAFT

TENNESSEE MEDICAL FOUNDATION, INC.

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BELLENFANT
CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS
Professional Accounting & Consulting Services

INDEPENDENT AUDITOR'S REPORT

Board of Directors and Mike Todd, Executive Director
Tennessee Medical Foundation, Inc.
Brentwood, Tennessee

We have audited the accompanying financial statements of Tennessee Medical Foundation, Inc., which comprise the statements of financial position as of December 31, 2018 and 2017, 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 judgement, 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 Tennessee Medical Foundation, Inc. as of December 31, 2018 and 2017, 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.

Bellenfant, PLLC

May 28, 2019

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TENNESSEE MEDICAL FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2018 AND 2017

ASSETS

	2018	2017
Current Assets		
Cash	$ 433,440	$ 259,022
Accounts Receivable	760	-
Grants Receivable	76,230	41,461
Prepaid Expenses	10,177	20,096
Total Current Assets	520,607	320,579
Property and Equipment		
Office Equipment	17,831	17,831
Furniture and Fixtures	46,262	46,262
	64,093	64,093
Less: Accumulated Depreciation	(62,153)	(61,632)
Property and Equipment, net	1,940	2,461
Other Assets		
Development Costs	24,202	24,202
Software	3,909	3,909
	28,111	28,111
Less: Accumulated Amortization	(28,111)	(28,111)
Total Other Assets	-	-
Total Assets	$ 522,547	$ 323,040

LIABILITIES AND NET ASSETS

Current Liabilities		
Accounts Payable and Accrued Expenses	$ 11,601	$ 46
Line of Credit	50,000	-
Total Current Liabilities	61,601	46
Total Liabilities	61,601	46
Net Assets, Unrestricted	460,946	322,994
Total Liabilities and Net Assets	$ 522,547	$ 323,040

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

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TENNESSEE MEDICAL FOUNDATION, INC.

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
Revenues		
Dues	$ 69,166	$ 69,343
Tennessee Medical Association Member Dues Allocations	112,336	113,164
State Volunteer Mutual Insurance Company	254,525	255,775
Contributions	270,191	261,502
Grants	554,707	340,871
Interest	117	124
Caduceus Retreat	14,760	13,950
Total Revenues	1,275,802	1,054,729
Expenses		
Program Services		
Physicians Health Program	869,175	891,037
Supporting Services		
Management and General	194,757	191,657
Fundraising	73,918	78,364
Total Expenses	1,137,850	1,161,058
Change in Net Assets	137,952	(106,329)
Net Assets, Unrestricted - beginning of year	322,994	429,323
Net Assets, Unrestricted - end of year	$ 460,946	$ 322,994

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

TENNESSEE MEDICAL FOUNDATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2018

	Program Services	Supporting Services		
	Physicians Health Program	Management and General	Fundraising	Total
Salaries	$ 625,679	$ 20,856	$ 48,664	$ 695,199
Payroll Taxes and Employee Benefits	115,424	3,847	8,977	128,248
Rent	45,232	6,785	4,523	56,540
Insurance	5,801	24,676	-	30,477
Printing	8,364	8,364	-	16,728
Travel	22,103	11,417	-	33,520
Telephone	-	14,879	-	14,879
Repairs and Maintenance	-	6,433	-	6,433
Depreciation	-	521	-	521
Solicitations	-	-	4,349	4,349
Professional Fees	-	38,779	-	38,779
Miscellaneous	728	5,660	-	6,388
Office	-	31,688	-	31,688
Committee Expenses	26,796	-	-	26,796
Public Relations Campaign	-	7,405	7,405	14,810
Postage	-	1,837	-	1,837
Dues and Subscriptions	-	4,894	-	4,894
Caduceus	14,217	-	-	14,217
Bank Fees	-	6,006	-	6,006
Licenses and Fees	-	710	-	710
Moving Expenses	-	-	-	-
Website	4,831	-	-	4,831
Total	$ 869,175	$ 194,757	$ 73,918	$ 1,137,850

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

TENNESSEE MEDICAL FOUNDATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2017

	Program Services	Supporting Services		
	Physicians Health Program	Management and General	Fundraising	Total
Salaries	$ 660,732	$ 22,024	$ 51,390	$ 734,146
Payroll Taxes and Employee Benefits	105,160	3,505	8,179.00	116,844
Rent	49,794	7,469	4,979.00	62,242
Insurance	8,381	26,609	-	34,990
Printing	8,444	8,444	-	16,888
Travel	28,048	12,189	-	40,237
Telephone	-	15,294	-	15,294
Repairs and Maintenance	-	6,965	-	6,965
Depreciation	-	521	-	521
Solicitations	-	-	6,816	6,816
Professional Fees	-	27,627	-	27,627
Miscellaneous	905	4,528	-	5,433
Office	-	31,628	-	31,628
Committee Expenses	12,346	-	-	12,346
Public Relations Campaign	-	7,000	7,000	14,000
Postage	-	3,099	-	3,099
Dues and Subscriptions	-	6,361	-	6,361
Caduceus	15,408	-	-	15,408
Bank Fees	-	3,158	-	3,158
Licenses and Fees	-	1,239	-	1,239
Moving Expenses	-	3,997	-	3,997
Website	1,819	-	-	1,819
Total	$ 891,037	$ 191,657	$ 78,364	$ 1,161,058

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

TENNESSEE MEDICAL FOUNDATION, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ 137,952	$ (106,329)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	521	521
(Increase) Decrease in:		
Accounts Receivable	(760)	-
Grants Receivable	(34,769)	6,603
Prepaid Expenses	9,919	(10,713)
Increase (Decrease) in:		
Accounts Payable	11,555	46
Line of Credit	50,000	(5,000)
Net Cash Provided (Used) by Operating Activities	174,418	(114,872)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	-	(2,238)
Net Cash Provided (Used) by Investing Activities	-	(2,238)
NET INCREASE IN CASH	174,418	(117,110)
Cash - beginning of year	259,022	376,132
Cash - end of year	$ 433,440	$ 259,022

Supplemental Cash Flows Information:
During the years ended December 31, 2018 and 2017, the Foundation paid interest of $1,854 and $58, respectively.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

Organization and Purpose

Tennessee Medical Foundation, Inc. ("the Foundation") is a non-profit organization that exists primarily to administer the physicians health program, a program that assists physicians impaired by mental and emotional illnesses, chemical dependency, or both. The Foundation was incorporated in 1952 under the laws of the State of Tennessee and is supported, in part, by Tennessee Medical Association member contributions and dues allocations.

Financial Statement Presentation

The financial statements of the Foundation are presented on the accrual basis of accounting. Revenue is generally recognized when earned. Expenses are generally recognized when incurred.

Financial statement presentation follows the requirements of the Financial Accounting Standards Board (FASB) Accounting Standards Codification Topic related to Presentation of Financial Statements of Not-for-Profit Organizations. Under the FASB Accounting Standards Codification, the Foundation is required to report information regarding its financial position and activities according to two classes of net assets; net assets without donor restrictions and net assets with donor restrictions.

> *Net assets without donor restrictions* - These are net assets that are not subject to donor-imposed stipulations. The Foundation had $460,946 and $322,994 of net assets without donor restrictions as of December 31, 2018 and 2017, respectively.
>
> *Net assets with donor restrictions* - These are net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Foundation and/or the passage of time. This classification also includes net assets subject to donor-imposed stipulations that may be maintained permanently by the Foundation. Generally, donors of these assets permit the Foundation to use all or part of the income earned for general or specific purposes. The Foundation had net assets with donor restrictions of $0 as of December 31, 2018 and 2017.

The Foundation accounts for contributions in accordance with the requirements of the FASB Accounting Standards Codification Revenue Recognition Topic. In accordance with the FASB Accounting Standards Codification, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions.

The expiration of a donor-imposed restriction on a contribution is recognized in the period in which the restriction expires and at that time the related resources are reclassified to unrestricted net assets. A restriction expires when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

1. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED)

Cash and Cash Equivalents

For purposes of the cash flow statement, the Foundation considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

Expense Allocation

The costs of program services and other activities have been summarized on a functional basis in the statements of activities and the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on estimates made by management.

Property and Equipment

Property and equipment with an acquisition cost above $500 is recorded at cost. Depreciation is calculated using the straight-line method based upon the useful lives of the respective assets ranging from three to seven years for equipment and seven years for furniture.

Development and Software Costs

Certain development and software costs are amortized over three years based on the expected period benefited.

Income Taxes

Tennessee Medical Foundation, Inc. is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

The Foundation has evaluated its tax positions in accordance with the Codification Standard relating to Accounting for Uncertainty in Income Taxes. The Foundation believes that it has taken no uncertain tax positions.

The Organization files a U.S. Federal Form 990-*Return of Organization Exempt from Income Tax*. The Organization's returns for the years prior to calendar year 2015 are no longer open for

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 the financial statements and disclosures. Accordingly, actual results could differ from those estimates.

Fair Values of Financial Instruments:

The following methods and assumptions were used by the Foundation in estimating its fair value disclosures for financial instruments:

1. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED)

Cash, cash equivalents, prepaid expenses, deposits, and payables: The carrying amounts reported in the statements of financial position approximate fair values because of the short maturities of those instruments.

2. CONCENTRATIONS OF REVENUE

The Foundation received contributions of $254,525 and $255,775 for the years ended December 31, 2018 and 2017, respectively, from State Volunteer Mutual Insurance Company, a major donor.

3. RETIREMENT PLAN

The Foundation contributes to a 401(k) retirement plan covering substantially all personnel. Employees may also make voluntary contributions to the plan. The Foundation's contributions to the plan were $8,322 and $11,557 for the years ended December 31, 2018 and 2017, respectively.

4. LEASES

Beginning May 2017 through April 2027, the Foundation leased new office space under a 10 year lease with Virginia Way, LLC. Beginning February 2017 through January 2020, the Foundation leased a 2016 Lincoln MKX from Ford Motor Credit Company that requires thirty-six monthly payments.

Future minimum lease payments are as follows:

Year ended December 31	Virginia Way, LLC	Lincoln Financial
2019	58,433	8,780
2020	59,897	732
2021	61,392	-
2022	62,927	-
2023	64,494	
Thereafter	226,654	
Total	533,797	$ 9,512

5. DONATED SERVICES

Officers, members of the Board of Directors, and other members of the Foundation have assisted the Foundation in the accomplishment of its goals and objectives by the donation of their time and services. No amounts have been reflected in the financial statements as it was not practicable to determine the valuation of such services to the Foundation, and the Foundation exercises no significant control over the major elements of donated services.

6. RELATED PARTY TRANSACTIONS

During 2018 and 2017, the Foundation purchased educational and advertising space as part of a sponsorship package in Tennessee Medical Association's monthly publication for a total of $14,810 and $14,000 respectively.

The Foundation provides office space and staff to Tennessee Medical Foundation Endowment Fund, Inc., generally at no cost. Tennessee Medical Foundation Endowment Fund, Inc. solicits contributions to a permanent endowment, the income from which is used to support the Foundation's activities. During 2018 and 2017, the Foundation did not receive any compensation from Tennessee Medical Foundation Endowment Fund, Inc.

During 2018 and 2017, the Foundation was under contract to administer the Impaired Physicians Loan Fund, Inc. for the Tennessee Medical Association. The Foundation was not compensated for 2018 or 2017.

A portion of dues paid by members of the Tennessee Medical Association are allocated to the Foundation. That allocation was $112,336 and $113,164 for the years ended December 31, 2018 and 2017, respectively.

7. COMPENSATED ABSENCES

Employees of the Foundation are entitled to paid vacation days. It is impractical to estimate the amount of compensation for future absences, and, accordingly, no liability has been recorded in the accompanying financial statements. The Foundation's policy is to recognize the cost of compensated absences when actually paid to employees.

8. AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Foundation's financial assets as of December 31, 2018, reduced by amounts

Financial assets, at year-end	$	460,946
Less: assets unavailable for general expenditures within one year, due to donor-imposed restrictions		-
Less: investments held within equity securities		-
Financial assets available to meet cash needs for general expenditures within one year	$	460,946

There is an adequate amount of financial assets available as of December 31, 2018. The Foundation effectively manages its liquid available resources to meet cash needs for general expenditures within one year of the balance sheet date.

9. SUBSEQUENT EVENTS

Subsequent events have been evaluated through May 28, 2019 which is the date the financial statements were available to be issued.