

TENNESSEE MEDICAL FOUNDATION, INC.

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT**

DECEMBER 31, 2019 AND 2018

TENNESSEE MEDICAL FOUNDATION, INC.

TABLE OF CONTENTS

Independent Auditor's Report	3
Financial Statements:	
Statements of Financial Position	4
Statements of Activities	5
Statements of Functional Expenses	6
Statements of Cash Flows	8
Notes to Financial Statements	9



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, 2019 and 2018, 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, 2019 and 2018, 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

April 15, 2020

TENNESSEE MEDICAL FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
<u>ASSETS</u>		
Current Assets		
Cash	\$ 366,022	\$ 433,440
Receivables	28,732	760
Grants Receivable	125,161	76,230
Prepaid Expenses	<u>15,338</u>	<u>10,177</u>
Total Current Assets	<u>535,253</u>	<u>520,607</u>
Property and Equipment		
Office Equipment	18,121	17,831
Furniture and Fixtures	<u>46,262</u>	<u>46,262</u>
	64,383	64,093
Less: Accumulated Depreciation	<u>(57,972)</u>	<u>(62,153)</u>
Property and Equipment, net	<u>6,411</u>	<u>1,940</u>
Other Assets		
Development Costs	24,202	24,202
Software	<u>3,909</u>	<u>3,909</u>
	28,111	28,111
Less: Accumulated Amortization	<u>(28,111)</u>	<u>(28,111)</u>
Total Other Assets	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 541,664</u>	<u>\$ 522,547</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities		
Accounts Payable and Accrued Expenses	\$ 7,724	\$ 11,601
Line of Credit	<u>-</u>	<u>50,000</u>
Total Current Liabilities	<u>7,724</u>	<u>61,601</u>
Total Liabilities	7,724	61,601
Net Assets, Without Donor Restrictions	<u>533,940</u>	<u>460,946</u>
Total Liabilities and Net Assets	<u>\$ 541,664</u>	<u>\$ 522,547</u>

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

TENNESSEE MEDICAL FOUNDATION, INC.

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
Revenues		
Dues	\$ 95,680	\$ 69,166
Tennessee Medical Association Member Dues Allocations	108,603	112,336
State Volunteer Mutual Insurance Company	253,475	254,525
Contributions	315,263	270,191
Grants	493,515	554,707
Interest	159	117
Caduceus Retreat	2,000	14,760
Total Revenues	1,268,695	1,275,802
Expenses		
Program Services		
Physicians Health Program	920,801	869,175
Supporting Services		
Management and General	198,316	194,757
Fundraising	76,584	73,918
Total Expenses	1,195,701	1,137,850
Change in Net Assets	72,994	137,952
Net Assets, Without Donor Restrictions - beginning of year	460,946	322,994
Net Assets, Without Donor Restrictions - end of year	\$ 533,940	\$ 460,946

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, 2019

	<u>Program Services</u>	<u>Supporting Services</u>		<u>Total</u>
	<u>Physicians Health Program</u>	<u>Management and General</u>	<u>Fundraising</u>	
Salaries	\$ 674,848	\$ 22,495	\$ 52,488	\$ 749,831
Payroll Taxes and Employee Benefits	128,244	4,275	9,975	142,494
Rent	47,489	7,123	4,749	59,361
Insurance	5,223	34,703	-	39,926
Printing	8,273	8,273	-	16,546
Travel	20,682	6,510	-	27,192
Telephone	-	11,895	-	11,895
Repairs and Maintenance	-	11,093	-	11,093
Depreciation	-	919	-	919
Solicitations	-	-	2,372	2,372
Professional Fees	-	41,817	-	41,817
Miscellaneous	2,593	4,782	-	7,375
Office	-	27,394	-	27,394
Committee Expenses	22,372	-	-	22,372
Public Relations Campaign	-	7,000	7,000	14,000
Postage	-	2,552	-	2,552
Dues and Subscriptions	-	2,309	-	2,309
Caduceus	4,975	-	-	4,975
Bank Fees	-	3,797	-	3,797
Licenses and Fees	-	1,379	-	1,379
Website	6,102	-	-	6,102
Total	\$ 920,801	\$ 198,316	\$ 76,584	\$ 1,195,701

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		Total
	Physicians Health Program	Management and General	Fundraising		
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
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.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 72,994	\$ 137,952
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	919	521
(Increase) Decrease in:		
Accounts Receivable	(27,972)	(760)
Grants Receivable	(48,931)	(34,769)
Prepaid Expenses	(5,161)	9,919
Increase (Decrease) in:		
Accounts Payable	(3,877)	11,555
Line of Credit	(50,000)	50,000
Net Cash Provided (Used) by Operating Activities	(62,028)	174,418
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(5,390)	-
Net Cash Provided (Used) by Investing Activities	(5,390)	-
NET INCREASE IN CASH	(67,418)	174,418
Cash - Beginning of year	433,440	259,022
Cash - End of year	\$ 366,022	\$ 433,440

Supplemental Cash Flows Information:

During the years ended December 31, 2019 and 2018, the Foundation paid interest of \$766 and \$1,854, respectively.

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

TENNESSEE MEDICAL FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

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 \$533,940 and \$460,946 of net assets without donor restrictions as of December 31, 2019 and 2018, 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, 2019 and 2018.

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.

TENNESSEE MEDICAL FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2019 AND 2018

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 2016 are no longer open for examination.

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:

TENNESSEE MEDICAL FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2019 AND 2018

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 \$253,475 and \$254,525 for the years ended December 31, 2019 and 2018, 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 \$15,727 and \$8,322 for the years ended December 31, 2019 and 2018, 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:

<u>Year ended December 31</u>	<u>Virginia Way, LLC</u>	<u>Lincoln Financial</u>
2020	\$ 59,897	\$ 732
2021	61,392	-
2022	62,927	-
2023	64,494	-
2024	66,100	-
Thereafter	160,554	-
Total	<u>\$ 475,364</u>	<u>\$ 732</u>

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.

TENNESSEE MEDICAL FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2019 AND 2018

6. RELATED PARTY TRANSACTIONS

During 2019 and 2018, the Foundation purchased educational and advertising space as part of a sponsorship package in Tennessee Medical Association's monthly publication for a total of \$14,000 and \$14,810 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 2019 and 2018, the Foundation received compensation of \$50 and \$0, respectively, from Tennessee Medical Foundation Endowment Fund, Inc.

During 2019 and 2018, the Foundation was under contract to administer the Impaired Physicians Loan Fund, Inc. for the Tennessee Medical Association. The Foundation was not compensated for 2019 or 2018.

A portion of dues paid by members of the Tennessee Medical Association are allocated to the Foundation. That allocation was \$108,603 and \$112,336 for the years ended December 31, 2019 and 2018, 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, 2019 and 2018, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date:

	<u>2019</u>	<u>2018</u>
Financial assets, at year-end	\$ 533,940	\$ 460,946
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 533,940</u>	<u>\$ 460,946</u>

There is an adequate amount of financial assets available as of December 31, 2019 and 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 April 15, 2020 which is the date the financial statements were available to be issued.