

TENNESSEE MEDICAL FOUNDATION, INC.

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

DECEMBER 31, 2020 AND 2019

TENNESSEE MEDICAL FOUNDATION, INC.

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BELLENFANT

CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

INDEPENDENT AUDITOR'S REPORT

Board of Directors
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, 2020 and 2019, 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, 2020 and 2019, 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

Nashville, Tennessee

May 28, 2021

TENNESSEE MEDICAL FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 474,677	\$ 366,022
Accounts Receivable	51,996	28,732
Grants Receivable	115,045	125,161
Prepaid Expenses	9,544	15,338
	<hr/>	<hr/>
Total Current Assets	651,262	535,253
	<hr/>	<hr/>
FIXED ASSETS		
Office Equipment	18,121	18,121
Furniture and Fixtures	46,262	46,262
	<hr/>	<hr/>
	64,383	64,383
Less: Accumulated Depreciation	(58,891)	(57,972)
	<hr/>	<hr/>
Fixed Assets, net	5,492	6,411
	<hr/>	<hr/>
OTHER ASSETS		
Development Costs	24,202	24,202
Software	3,909	3,909
	<hr/>	<hr/>
	28,111	28,111
Less: Accumulated Amortization	(28,111)	(28,111)
	<hr/>	<hr/>
Total Other Assets	-	-
	<hr/>	<hr/>
Total Assets	<u>\$ 656,754</u>	<u>\$ 541,664</u>
	<hr/>	<hr/>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 9,347	\$ 7,724
PPP Loan Payable	123,420	-
	<hr/>	<hr/>
Total Current Liabilities	132,767	7,724
	<hr/>	<hr/>
Total Liabilities	132,767	7,724
	<hr/>	<hr/>
NET ASSETS		
Without Donor Restrictions	523,987	533,940
	<hr/>	<hr/>
Total Liabilities and Net Assets	<u>\$ 656,754</u>	<u>\$ 541,664</u>
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The accompanying notes are an integral part of these financial statements.

TENNESSEE MEDICAL FOUNDATION, INC.

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
REVENUE		
Dues	\$ 123,949	\$ 95,680
Tennessee Medical Association Member Dues Allocations	107,938	108,603
State Volunteer Mutual Insurance Company	249,800	253,475
Contributions	276,333	315,263
Grants	471,629	493,515
Interest	199	159
Other	3,489	2,000
Total Revenue	\$ 1,233,337	\$ 1,268,695
EXPENSES		
Program Services		
Physicians Health Program	\$ 974,486	\$ 920,801
Supporting Services		
Management and General	187,738	198,315
Fundraising	81,066	76,585
Total Expenses	1,243,290	1,195,701
Change in Net Assets	(9,953)	72,994
Net Assets, beginning of year	533,940	460,946
Net Assets, end of year	\$ 523,987	\$ 533,940

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, 2020

	<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	\$ 747,080	\$ 24,903	\$ 58,106	\$ 830,089
Payroll Taxes	48,343	1,611	3,760	53,714
Employee Benefits	88,520	2,951	6,885	98,356
Rent	48,104	7,215	4,810	60,129
Insurance	4,585	24,903	-	29,488
Printing	5,987	5,987	-	11,974
Travel	12,637	3,159	-	15,796
Telephone	-	12,194	-	12,194
Repairs and Maintenance	-	849	-	849
Depreciation	-	919	-	919
Solicitations	-	-	505	505
Professional Fees	-	35,734	-	35,734
Miscellaneous	3,340	6,203	-	9,543
Office	-	35,289	-	35,289
Committee Expenses	6,147	-	-	6,147
Public Relations Campaign	-	7,000	7,000	14,000
Postage	-	5,681	-	5,681
Dues and Subscriptions	-	6,504	-	6,504
Caduceus	2,175	-	-	2,175
Bank Fees	-	3,897	-	3,897
Licenses and Fees	-	2,739	-	2,739
Website	7,568	-	-	7,568
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$ 974,486</u>	<u>\$ 187,738</u>	<u>\$ 81,066</u>	<u>\$ 1,243,290</u>

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	41,504	1,383	3,229	46,116	
Employee Benefits	86,740	2,891	6,747	96,378	
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	
	<u>6,102</u>	<u>-</u>	<u>-</u>	<u>6,102</u>	
Total	<u>\$ 920,801</u>	<u>\$ 198,315</u>	<u>\$ 76,585</u>	<u>\$ 1,195,701</u>	

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, 2020 AND 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (9,953)	\$ 72,994
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	919	919
(Increase) Decrease in:		
Accounts Receivable	(23,264)	(27,972)
Grants Receivable	10,116	(48,931)
Prepaid Expenses	5,794	(5,161)
Increase (Decrease) in:		
Accounts Payable	1,623	(3,877)
Line of Credit	-	(50,000)
Net Cash Provided (Used) by Operating Activities	(14,765)	(62,028)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	-	(5,390)
Net Cash Provided (Used) by Investing Activities	-	(5,390)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of PPP Loan Payable	123,420	-
Net Cash Provided (Used) by Financing Activities	123,420	-
Net Increase (Decrease) in Cash	108,655	(67,418)
Cash and Cash Equivalents, beginning of year	366,022	433,440
Cash and Cash Equivalents, end of year	\$ 474,677	\$ 366,022

Supplemental Cash Flows Information:

During the years ended December 31, 2020 and 2019, the Foundation paid interest of \$0 and \$766, respectively.

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

TENNESSEE MEDICAL FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

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 \$523,987 and \$533,940 of net assets without donor restrictions as of December 31, 2020 and 2019, 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, 2020 and 2019.

Revenue Recognition

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 net assets without donor restrictions or net assets with donor restrictions, depending on the existence or nature of any donor restrictions.

TENNESSEE MEDICAL FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2020 AND 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (Continued)

Revenue Recognition (Continued)

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 net assets without donor restrictions. A restriction expires when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Cash and Cash Equivalents

For purposes of the cash flow statement, the Foundation considers all highly liquid investments with a maturity of twelve 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.

Fixed Assets

Fixed assets 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.

TENNESSEE MEDICAL FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2020 AND 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (Continued)

Income Taxes (Continued)

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 2017 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:

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 \$249,800 and \$253,475 for the years ended December 31, 2020 and 2019, respectively, from State Volunteer Mutual Insurance Company, a major donor. A major reduction of funds by the company would have a significant effect on future operations.

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 \$16,565 and \$15,727 for the years ended December 31, 2020 and 2019, respectively.

4. 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, 2020 AND 2019

5. LEASES

Beginning May 2017 through April 2027, the Foundation leased new office space under a 10 year lease with Virginia Way, LLC.

Future minimum lease payments are as follows:

<u>Year ended December 31</u>	<u>Virginia Way, LLC</u>
2021	\$ 61,392
2022	62,927
2023	64,494
2024	66,100
2025	67,754
Thereafter	<u>92,799</u>
Total	<u>\$ 415,466</u>

Rent expense was \$60,129 and \$59,361 for the years ending December 31, 2020 and 2019, respectively.

6. RELATED PARTY TRANSACTIONS

During 2020 and 2019, 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 per year.

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 2020 and 2019, the Foundation received compensation of \$0 and \$50, respectively, from Tennessee Medical Foundation Endowment Fund, Inc.

During 2020 and 2019, the Foundation was under contract to administer the Tennessee Medical Association Impaired Physicians Loan Fund, Inc. The Foundation was not compensated for services rendered in 2020 or 2019.

A portion of dues paid by members of the Tennessee Medical Association are allocated to the Foundation. That allocation was \$107,938 and \$108,603 for the years ended December 31, 2020 and 2019, respectively.

TENNESSEE MEDICAL FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2020 AND 2019

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. UNCERTAINTIES

In March 2020, the World Health Organization made the assessment that the outbreak of a novel coronavirus (COVID-19) can be characterized as a pandemic. As a result, the Foundation has temporarily not been able to continue a portion of its activities. The extent to which these events will affect the amounts reported in future financial statements remains uncertain.

9. PPP LOAN PAYABLE

In response to the pandemic, Congress passed the Coronavirus Aid, Relief, and Economic Security (CARES) Act, and it was signed into law on March 27, 2020. The CARES Act implemented the Payroll Protection Program (PPP), which provides loans to small businesses and charitable organization to keep their employees on payroll. The Foundation obtained a PPP loan for \$123,420 on May 6, 2020.

The balance on the PPP Loan Payable was \$123,420 as of December 31, 2020 and has been forgiven in full as of January 8, 2021.

10. AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Foundation's financial assets as of December 31, 2020 and 2019, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date:

	<u>2020</u>	<u>2019</u>
Financial assets, at year-end	\$ 474,677	\$ 366,022
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 474,677</u>	<u>\$ 366,022</u>

There is an adequate amount of financial assets available as of December 31, 2020 and 2019. The Foundation effectively manages its liquid available resources to meet cash needs for general expenditures within one year of the balance sheet date.

TENNESSEE MEDICAL FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2020 AND 2019

11. SUBSEQUENT EVENTS

Subsequent events have been evaluated through May 28, 2021 which is the date the financial statements were available to be issued.