

TENNESSEE MEDICAL FOUNDATION, INC.

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

DECEMBER 31, 2021 AND 2020

TENNESSEE MEDICAL FOUNDATION, INC.

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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, 2021 and 2020, 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, 2021 and 2020, 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

June 1, 2022

TENNESSEE MEDICAL FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 696,801	\$ 474,677
Accounts Receivable	61,603	51,996
Grants Receivable	81,561	115,045
Prepaid Expenses	11,255	9,544
	<u>851,220</u>	<u>651,262</u>
FIXED ASSETS		
Office Equipment	18,121	18,121
Furniture and Fixtures	46,262	46,262
	<u>64,383</u>	<u>64,383</u>
Less: Accumulated Depreciation	(59,810)	(58,891)
	<u>4,573</u>	<u>5,492</u>
OTHER ASSETS		
Development Costs	24,202	24,202
Software	3,909	3,909
	<u>28,111</u>	<u>28,111</u>
Less: Accumulated Amortization	(28,111)	(28,111)
	<u>-</u>	<u>-</u>
Total Other Assets	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 855,793</u>	<u>\$ 656,754</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	7,163	9,347
SBA PPP Loan Payable	-	123,420
	<u>7,163</u>	<u>132,767</u>
Total Current Liabilities	<u>7,163</u>	<u>132,767</u>
Total Liabilities	<u>7,163</u>	<u>132,767</u>
NET ASSETS		
Without Donor Restrictions	848,630	523,987
Total Liabilities and Net Assets	<u>\$ 855,793</u>	<u>\$ 656,754</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, 2021 AND 2020

	2021	2020
REVENUE		
Dues	\$ 134,477	\$ 123,949
Tennessee Medical Association Member Dues Allocations	105,179	107,938
State Volunteer Mutual Insurance Company	233,925	249,800
Contributions	355,401	276,333
Grants	492,032	471,629
Interest	233	199
Other	19,705	3,489
SBA PPP Loan Forgiveness	124,265	-
	\$ 1,465,217	\$ 1,233,337
EXPENSES		
Program Services		
Physicians Health Program	\$ 894,658	\$ 974,486
Supporting Services		
Management and General	173,882	187,738
Fundraising	72,034	81,066
	1,140,574	1,243,290
Change in Net Assets	324,643	(9,953)
Net Assets, beginning of year	523,987	533,940
Net Assets, end of year	\$ 848,630	\$ 523,987

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, 2021

	<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	\$ 649,292	\$ 21,643	\$ 50,500	\$ 721,435
Payroll Taxes	40,824	1,360	3,175	45,359
Employee Benefits	71,626	2,387	5,571	79,584
Rent	50,608	7,591	5,060	63,259
Insurance	5,278	23,200	-	28,478
Printing	8,046	8,046	-	16,092
Travel	16,416	4,103	-	20,519
Telephone	-	12,778	-	12,778
Repairs and Maintenance	-	1,802	-	1,802
Depreciation	-	919	-	919
Solicitations	-	-	578	578
Professional Fees	-	29,067	-	29,067
Miscellaneous	3,829	7,111	-	10,940
Office	-	35,272	-	35,272
Committee Expenses	13,814	-	-	13,814
Public Relations Campaign	-	7,150	7,150	14,300
Postage	-	1,991	-	1,991
Dues and Subscriptions	-	4,161	-	4,161
Caduceus	26,086	-	-	26,086
Bank Fees	-	4,400	-	4,400
Licenses and Fees	-	901	-	901
Website	8,839	-	-	8,839
	<u>8,839</u>	<u>-</u>	<u>-</u>	<u>8,839</u>
Total	<u>\$ 894,658</u>	<u>\$ 173,882</u>	<u>\$ 72,034</u>	<u>\$ 1,140,574</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, 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.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 324,643	\$ (9,953)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	919	919
(Increase) Decrease in:		
Accounts Receivable	(9,607)	(23,264)
Grants Receivable	33,484	10,116
Prepaid Expenses	(1,711)	5,794
Increase (Decrease) in:		
Accounts Payable	(2,184)	1,623
Net Cash Provided (Used) by Operating Activities	<u>345,544</u>	<u>(14,765)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	<u>-</u>	<u>-</u>
Net Cash Provided (Used) by Investing Activities	<u>-</u>	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of PPP Loan Payable	<u>(123,420)</u>	<u>123,420</u>
Net Cash Provided (Used) by Financing Activities	<u>(123,420)</u>	<u>123,420</u>
Net Increase (Decrease) in Cash	222,124	108,655
Cash and Cash Equivalents, beginning of year	<u>474,677</u>	<u>366,022</u>
Cash and Cash Equivalents, end of year	<u>\$ 696,801</u>	<u>\$ 474,677</u>

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

TENNESSEE MEDICAL FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

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 \$848,630 and \$523,987 of net assets without donor restrictions as of December 31, 2021 and 2020, 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, 2021 and 2020.

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, 2021 AND 2020

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, 2021 AND 2020

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 2018 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 \$233,925 and \$249,800 for the years ended December 31, 2021 and 2020, 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 \$17,465 and \$16,565 for the years ended December 31, 2021 and 2020, 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, 2021 AND 2020

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>
2022	62,927
2023	64,494
2024	66,100
2025	67,754
2026	69,456
Thereafter	<u>23,343</u>
Total	<u>\$ 354,074</u>

Rent expense was \$63,259 and \$60,129 for the years ending December 31, 2021 and 2020, respectively.

6. RELATED PARTY TRANSACTIONS

During 2021 and 2020, 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 2021 and 2020, the Foundation did not receive compensation from Tennessee Medical Foundation Endowment Fund, Inc.

During 2021 and 2020, 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 2021 or 2020.

A portion of dues paid by members of the Tennessee Medical Association are allocated to the Foundation. That allocation was \$105,179 and \$107,938 for the years ended December 31, 2021 and 2020, respectively.

TENNESSEE MEDICAL FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2021 AND 2020

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. SBA 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, 2021 and 2020, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date:

	<u>2021</u>	<u>2020</u>
Financial assets, at year-end	\$ 696,801	\$ 474,677
Accounts Receivable	61,603	51,996
Grants Receivable	81,561	115,045
Prepaid Expenses	11,255	9,544
Less: Accounts Payable and Accrued Expenses	<u>(7,163)</u>	<u>(9,347)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 844,057</u>	<u>\$ 641,915</u>

There is an adequate amount of financial assets available as of December 31, 2021 and 2020. 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, 2021 AND 2020

11. SUBSEQUENT EVENTS

Subsequent events have been evaluated through June 1, 2022 which is the date the financial statements were available to be issued.