TENNESSEE MEDICAL FOUNDATION, INC.

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

DECEMBER 31, 2022 AND 2021

BELLENFANT
CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

TENNESSEE MEDICAL FOUNDATION, INC.

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Tennessee Medical Foundation, Inc.
Brentwood, Tennessee

Opinion

We have audited the accompanying financial statements of Tennessee Medical Foundation, Inc., which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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, 2022 and 2021, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Tennessee Medical Foundation, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the Foundation has elected to change its method of accounting for leases during the year ended December 31, 2022. Our opinion is not modified with respect to this matter.

Responsibilities of Management 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.

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Responsibilities of Management for the Financial Statements (Continued)

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Tennessee Medical Foundation, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibility

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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 Tennessee Medical Foundation, Inc.'s internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Tennessee Medical Foundation Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Bellenfant, PLLC

Nashville, Tennessee
June 5, 2023

TENNESSEE MEDICAL FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2022 AND 2021

ASSETS

	2022	2021
CURRENT ASSETS		
Cash and Cash Equivalents	$ 765,799	$ 696,801
Accounts Receivable	217,468	61,603
Grants Receivable	98,794	81,561
Prepaid Expenses	14,302	11,255
Total Current Assets	1,096,363	851,220
FIXED ASSETS		
Office Equipment	18,121	18,121
Furniture and Fixtures	46,262	46,262
Fixed Assets: Gross	64,383	64,383
Less: Accumulated Depreciation	(60,730)	(59,810)
Fixed Assets, net of Accumulated Depreciation	3,653	4,573
OTHER ASSETS		
Operating leases, right-of-use assets	243,779	316,504
Development Costs	24,202	24,202
Software	3,909	3,909
Other Assets: Gross	271,890	344,615
Less: Accumulated Amortization	(28,111)	(28,111)
Other Assets, net of Accumulated Amortization	243,779	316,504
Total Assets	$ 1,343,795	$ 1,172,297

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

TENNESSEE MEDICAL FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION (CONTINUED)
DECEMBER 31, 2022 AND 2021

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	$ 5,159	$ 7,163
Total Current Liabilities	5,159	7,163
LONG TERM LIABILITIES		
Operating leases, right-of-use liabilities	243,779	316,504
Total Long Term Liabilities	243,779	316,504
Total Liabilities	248,938	323,667
NET ASSETS		
Without Donor Restrictions	1,094,857	848,630
Total Liabilities and Net Assets	$ 1,343,795	$ 1,172,297

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

TENNESSEE MEDICAL FOUNDATION, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NET ASSETS WITHOUT DONOR RESTRICTIONS

	2022	2021
SUPPORT AND REVENUE		
Dues	$ 134,430	$ 134,477
Tennessee Medical Association Member Dues Allocations	99,964	105,179
State Volunteer Mutual Insurance Company	233,425	233,925
Contributions	303,689	355,401
Grants	520,592	492,032
Interest	13,679	233
Other	21,810	19,705
ERTC Income	185,915	-
SBA PPP Loan Forgiveness	-	124,265
Total Revenue	1,513,504	1,465,217
EXPENSES		
Program Services		
Physicians Health Program	984,733	894,658
Supporting Services		
Management and General	192,633	173,882
Fundraising	89,911	72,034
Total Expenses	1,267,277	1,140,574
Change in Net Assets	246,227	324,643
Net Assets, Beginning of Year	848,630	523,987
Net Assets, End of Year	$ 1,094,857	$ 848,630

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

TENNESSEE MEDICAL FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

		Supporting Services		
	Physicians Health Program	**Management and General**	**Fundraising**	**Total**
Salaries	$ 704,627	$ 23,487	$ 54,804	$ 782,918
Payroll Taxes	43,760	1,458	3,404	48,622
Employee Benefits	83,358	2,778	6,484	92,620
Rent	49,928	7,489	4,993	62,410
Insurance	5,278	23,593	1,571	30,442
Printing	9,609	9,608	-	19,217
Travel	29,486	7,371	-	36,857
Telephone	-	14,280	-	14,280
Repairs and Maintenance	-	1,262	-	1,262
Depreciation	-	919	-	919
Solicitations	-	-	12,655	12,655
Professional Fees	-	33,231	-	33,231
Miscellaneous	3,031	5,627	-	8,658
Office	-	38,582	-	38,582
Committee Expenses	21,902	-	-	21,902
Public Relations Campaign	-	6,000	6,000	12,000
Postage	-	1,510	-	1,510
Dues and Subscriptions	-	6,674	-	6,674
Caduceus	26,109	-	-	26,109
Bank Fees	-	5,405	-	5,405
Licenses and Fees	-	3,359	-	3,359
Website	7,645	-	-	7,645
Total	$ 984,733	$ 192,633	$ 89,911	$ 1,267,277

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

TENNESSEE MEDICAL FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

		Supporting Services		
	Physicians Health Program	**Management and General**	**Fundraising**	**Total**
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
Total	$ 894,658	$ 173,882	$ 72,034	$ 1,140,574

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, 2022 AND 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ 246,227	$ 324,643
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operations		
Depreciation	919	919
Forgiveness of PPP Loan	-	(123,420)
(Increase) Decrease in:		
Accounts Receivable	(155,865)	(9,607)
Grants Receivable	(17,233)	33,484
Prepaid Expenses	(3,047)	(1,711)
Operating leases, right-of-use assets	72,725	(316,504)
Increase (Decrease) in:		
Accounts Payable	(2,003)	(2,184)
Operating leases, right-of-use liabilities	(72,725)	316,504
Net Cash Provided (Used) by Operating Activities	68,998	222,124
Net Increase (Decrease) in Cash	68,998	222,124
Cash and Cash Equivalents, Beginning of Year	696,801	474,677
Cash and Cash Equivalents, End of Year	$ 765,799	$ 696,801

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

Basis of Accounting

The financial statements of Tennessee Medical Foundation, Inc. are maintained and presented on the Accrual Basis of Accounting. Revenues are generally recognized when earned and 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 Associations. 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 net assets without donor restrictions of $1,094,857 and $848,630 as of December 31, 2022 and 2021 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 no net assets with donor restrictions as of December 31, 2022 and 2021.

Cash and Cash Equivalents

For purposes of the statement of cash flows, Tennessee Medical Foundation, Inc. considers all highly liquid investments with a maturity of 90 days or less when purchased to be cash equivalents. As of December 31, 2022 and 2021, the Foundation had no cash equivalents.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Receivable

Accounts receivable are reported at their estimated collectible amounts. They are periodically evaluated for collectability based on management's assessment of each account. An allowance for doubtful accounts is established as losses are estimated to have occurred through recognition of bad debt expense. When management confirms the uncollectibility of an account receivable, such amount is charged off against the allowance for doubtful accounts. No allowance for doubtful accounts was recorded at December 31, 2022 and 2021.

Prepaid Expenses

Prepaid expenses consists of rent and insurance which are paid in advance.

Fixed Assets

Fixed assets consists of office equipment and furniture and fixtures. Purchases above $500 are recorded at cost. Depreciation is provided in amounts necessary to allocate the cost of assets over their estimated useful lives using the straight-line method. The estimated useful lives of all major classes of fixed assets are as follows:

Equipment	3-5 years
Furniture and fixtures	7 years

Leases

The Foundation made an accounting policy election available under Topic 842 not to recognize right-of-use ("ROU") assets and lease liabilities for leases with a term of 12 months or less. For all other leases, ROU assets and lease liabilities are measured based on the present value of future lease payments over the lease term at the commencement date of the lease (or January 1, 2022, for existing leases upon the adoption of Topic 842). The ROU assets also include any initial direct costs incurred and lease payments made at or before the commencement date and are reduced by any lease incentives. To determine the present value of lease payments, the Foundation used the discount rate implicit in the lease agreement if not readily determinable, the Foundation made an accounting policy election available to non-public companies to utilize a risk-free borrowing rate, which is aligned with the lease term at the lease commencement date (or remaining term for leases existing upon the adoption of Topic 842).

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Other Assets

Other assets is comprised of software and development costs. Amortization is provided in amounts necessary to allocate the cost of assets over their estimated useful lives using the straight-line method. The estimated useful lives of all major classes of other assets are as follows:

Computer software	3 years

Revenue and Revenue Recognition

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer and is the unit of account under ASC 606. The transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied. The Foundation's revenue within the scope of ASC 606 consists of membership dues. The contract obligations related to these services are satisfied when the membership period has passed.

In general, the Foundation's agreements have an expected duration of one year or less and the consideration from the members is an amount that corresponds directly with the value received by the members to date.

Advertising

Advertising costs are expensed when incurred.

Donated Services and Goods

Donated services and goods are recognized if they create or enhance non-financial assets, or the donated service requires specialized skills, was performed by a donor who possesses such skills, and would have been purchased by the Foundation if not donated. Such services are recognized at fair value as support and expense in the period the services are performed.

Members of the Board of Directors have provided substantial assistance to us by donation of time and services. The value of this contribution was not reflected in the financial statements since it is not susceptible to objective measurement of valuation.

Estimates

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Allocation of Expenses

Expenses that can be directly attributed to a particular function are charged to that function, Accordingly, certain costs have been categorized based on specific identification of costs incurred or allocated as determined by management.

Expense	Method of Allocation
Payroll and related expenses	Time and Effort
Contract Labor	Time and Effort
Continuing Education	Time and Effort
Depreciation	Square Footage
Meetings and Membership offerings	Time and Effort
Administrative Expenses	Time and Effort
Rent and Leases	Square Footage
Insurance	Policy Coverage
Systems Development	Time and Effort

Compensated Absences

Compensated absences for sick pay and personal time have not been accrued since they cannot be reasonably estimated. The Foundation's policy is to recognize these costs when actually paid.

Changes in Accounting Principle

In February 2016, FASB issued ASU 2016-02, *Leases* , to increase transparency and comparability among organizations related to their leasing arrangements. The update requires lessees to recognize most leases on their balance sheets as a ROU asset representing the right to use an underlying asset and a lease liability representing the obligation to make lease payments over the lease term, measured on a discounted basis. Topic 842 also requires additional disclosure of key quantitiative and qualitative information for leasing arrangements. Similar to the previous lease guidance, the update retains a distinction between finance leases (similar to capital leases in Topic 840, *Leases*) and operating leases, with classification affecting the pattern of expense recognition in the statements of income. The Foundation adopted Topic 842 on January 1, 2021.

The Foundation elected the "package of practical expedients" under the transition guidance within Topic 842, in which the Foundation does not reasess (1) the historical lease classification, (2) whether any existing contracts at transition are or contain leases, or (3) the initial direct costs for any existing leases.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Changes in Accounting Principle (Continued)

The Foundation has elected to adopt the "hindsight" practical expedient, and therefore will measure the ROU asset and lease liability using the remaining portion of the lease term upon adoption of ASC 842 on January 1, 2021.

The Foundation determines if an arrangement is or contains a lease at inception, which is the date on which the terms of the contract are agreed to, and the agreement creates enforceable rights and obligations. A contract is or contains a lease when (i) explicitly or implicitly identified assets have been deployed in the contract and (ii) the Foundation obtains substantially all of the economic benefits from the use of that underlying asset and directs how and for what purpose the asset is used during the term of the contract. The Foundation also considers whether its service arrangements include the right to control the use of an asset.

Adoption of Topic 842 resulted in the recording of additional ROU assets and lease liabilites related to the Foundation's operating leases of $316,504 at January 1, 2022. The adoption of the new lease standard did not materially impact changes in net assets or cash flows and did not result in a cumulative-effect adjustment to opening net assets.

2. AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Foundation's financial assets as of December 31, 2022 and 2021, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date:

	2022	2021
Financial Assets	$ 765,799	$ 696,801
Accounts Receivable	217,468	61,603
Grants Receivable	98,794	81,561
Prepaid Expenses	14,302	11,255
Financial assets available to meet cash needs for general expenditures within one year	$ 1,096,363	$ 851,220

There is an adequate amount of financial assets available as of December 31, 2022 and 2021. The Foundation effectively manages its liquid available resources to meet cash needs for general expenditures within one year of the balance sheet date.

3. CONCENTRATION OF CREDIT RISK

The Foundation invests its available cash with major financial institutions. As of December 31, 2022 and 2021, the cash accounts exceeded the Federal Deposit Insurance Corporation limit of $250,000 by $515,799 and $446,801. However, management believes that the credit risk related to these deposits is minimal.

The Foundation received contributions of $233,425 and $233,925 for the years ended December 31, 2022 and 2021, respectively, from private donors. A major reduction of funds by the company would have a significant effect on future operations.

4. RELATED ORGANIZATION

The Foundation conducted business with related party Organizations during December 31, 2022 and 2021: the Tennessee Medical Assication, the Tennessee Medical Foundation Endowment Fund, Inc., and the Tennessee Medical Foundation Loan Fund, Inc.

A portion of dues paid by members of the Tennessee Medical Association are allocated to the Foundation. The allocation was $99,964 and $105,179 for the years ended December 31, 2022 and 2021, respectively. The Foundation also 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. (TMFEF) generally at no cost. TMFEF solicits contributions to a permanent endowment, the income from which is used to support the Foundation's activities. During December 31, 2022 and 2021 the Foundation did not receive compensation from TMFEF.

During December 31, 2022 and 2021, the Foundation was under contract to administer the Tennessee Medical Foundation Loan Fund, Inc. (TMFLF). The Foundation was not compensated for services rendered in either year.

5. STATE AND LOCAL GRANTS

Funds received were all under the Physician's Health Program grants. The grants receivale as of December 31, 2022 and 2021 are as follows:

	2022	2021
BME	$ 86,190	$ 70,445
D.O.	9,926	7,854
PA Grant	2,678	3,262
Total Grants Receivable	$ 98,794	$ 81,561

6. OPERATING LEASE COMMITMENT

The Foundation leases office space under a 10-year non-cancelable lease with Virginia Way, LLC. Rent expense was $62,410 and $63,259 for the years ended December 31, 2022 and 2021, respectively. The Foundation also signed a new vehicle lease contract in January 2023 for a 3 year term ending in December 2025. These operating leases are disclosed to conform to ASC 842. Future minimum lease payments required under these operating leases are as follows:

The components of lease expense are as follows for the years ended December 31, 2022 and 2021:

	2022	2021
Occupancy lease cost	$ 62,410	$ 63,259
Total lease cost	$ 62,410	$ 63,259

Additional information related to leases is as follows for the years ended December 31, 2022 and 2021:

Operating leases:	2022	2021
Operating lease right-of-use assets	$ 243,779	$ 316,504
Operating lease liabilities, non-current	$ 243,779	$ 316,504
Weighted-average remaining lease term:		
Operating leases	5 years	6 years

Future undiscounted cash flows and a reconciliation to the lease liabilities recognized on the balance sheet are as follows for the years ended December 31, 2022 and 2021:

	2022	2021
For the year ended December 31, 2022	$ -	$ 74,035
2023	64,094	64,094
2024	64,094	64,094
2025	64,094	64,094
2026	53,410	53,410
Total lease payments	245,692	319,727
Less imputed interest	(1,913)	(3,223)
Total present value of lease liabilities	$ 243,779	$ 316,504

7. INCOME TAXES

The Foundation has qualified for tax-exempt status under Section 501(c)(3) of the Internal Revenue Code. It has been classified as a charity that is not a private foundation.

The Foundation files a U.S. Federal Form 990-Return of Organization Exempt from Income Tax. The Foundation's returns for the years prior to fiscal year ended December 31, 2019 are no longer open for examination.

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.

8. SUBSEQUENT EVENTS

Subsequent events have been evaluated through June 5, 2023 which is the date the financial statements were available to be issued.