

**SILOAM FAMILY HEALTH CENTER
(D/B/A SILOAM HEALTH)**

FINANCIAL STATEMENTS

June 30, 2017 and 2016

**SILOAM FAMILY HEALTH CENTER
(D/B/A SILOAM HEALTH)**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Siloam Family Health Center
d/b/a Siloam Health
Nashville, Tennessee

We have audited the accompanying consolidated financial statements of Siloam Family Health Center and subsidiary (d/b/a Siloam Health) (a nonprofit organization), which comprise the consolidated statements of financial position as of June 30, 2017 and 2016 and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Siloam Family Health Center and subsidiary (d/b/a Siloam Health) as of June 30, 2017 and 2016, and the changes in their net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Fraser, Dean & Howard, PLLC

Nashville, Tennessee
August 31, 2017

**SILOAM FAMILY HEALTH CENTER
(D/B/A SILOAM HEALTH)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As of June 30, 2017 and 2016**

	2017	2016
Assets		
Cash and cash equivalents	\$ 2,259,371	\$ 1,615,936
Accounts receivable	265,141	352,335
Promises to give	204,550	358,475
Inventory	30,427	27,532
Prepaid expenses	12,241	26,677
Investments:		
Securities, at fair value	1,927,606	1,840,463
Cash and cash equivalents held by investment firm	111,386	157,721
Property and equipment, net	1,913,871	1,960,511
Total assets	\$ 6,724,593	\$ 6,339,650
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 104,684	\$ 244,120
Accrued compensated absences	87,630	83,422
Unearned revenue	-	25,000
Total liabilities	192,314	352,542
Net assets:		
Unrestricted:		
Undesignated	3,783,834	3,131,504
Board designated	2,038,992	1,998,184
Total unrestricted	5,822,826	5,129,688
Temporarily restricted	709,453	857,420
Total net assets	6,532,279	5,987,108
Total liabilities and net assets	\$ 6,724,593	\$ 6,339,650

See accompanying notes.

**SILOAM FAMILY HEALTH CENTER
(D/B/A SILOAM HEALTH)
CONSOLIDATED STATEMENTS OF ACTIVITIES
For the years ended June 30, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
Changes in unrestricted net assets:		
Public support and revenue:		
Service contracts	\$ 2,229,472	\$ 1,977,209
Contributions	1,735,896	1,482,660
Donated services	401,056	443,167
Special events, net of direct expenses of \$150,654 in 2017	289,495	-
Patient fees	240,649	231,428
Investment income, net	105,808	127,684
Interest income	10,766	7,867
Loss on disposal of equipment	(9,400)	-
Total public support and revenue	<u>5,003,742</u>	<u>4,270,015</u>
Net assets released from restrictions:		
Satisfaction of donor restrictions	<u>339,232</u>	<u>429,708</u>
Total public support and revenue and net assets released from restrictions	<u>5,342,974</u>	<u>4,699,723</u>
Expenses:		
Program services	3,995,842	3,896,883
General and administrative	240,946	225,200
Fundraising	<u>413,048</u>	<u>357,175</u>
Total expenses	<u>4,649,836</u>	<u>4,479,258</u>
Change in unrestricted net assets	<u>693,138</u>	<u>220,465</u>
Changes in temporarily restricted net assets:		
Temporarily restricted contributions	191,265	579,419
Net assets released from restrictions	<u>(339,232)</u>	<u>(429,708)</u>
Changes in temporarily restricted net assets	<u>(147,967)</u>	<u>149,711</u>
Change in net assets	545,171	370,176
Net assets, beginning of year	<u>5,987,108</u>	<u>5,616,932</u>
Net assets, end of year	<u>\$ 6,532,279</u>	<u>\$ 5,987,108</u>

See accompanying notes.

**SILOAM FAMILY HEALTH CENTER
(D/B/A SILOAM HEALTH)
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the year ended June 30, 2017**

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 1,692,716	\$ 174,480	\$ 242,905	\$ 2,110,101
Contracted services	500,438	110	-	500,548
Donated patient care	401,056	-	-	401,056
Medical and lab supplies	394,581	-	-	394,581
Employee benefits	230,106	13,157	23,637	266,900
Lab fees	183,100	-	-	183,100
Payroll taxes	122,694	12,701	17,120	152,515
Depreciation	117,896	5,271	5,971	129,138
Technology expense	86,759	3,226	4,983	94,968
Communications	150	-	90,819	90,969
Interpreter services	83,919	-	-	83,919
Insurance	48,088	4,701	1,016	53,805
Facilities	47,484	2,072	2,347	51,903
Utilities	22,712	1,015	1,151	24,878
Meetings, workshop and travel	14,473	5,154	1,985	21,612
Development	-	-	16,452	16,452
Accounting	5,253	11,000	-	16,253
Office expense	9,368	749	3,820	13,937
Telephone	10,451	711	397	11,559
Miscellaneous	6,156	4,288	211	10,655
Dues and licenses	6,675	1,910	234	8,819
Volunteer development	5,934	108	-	6,042
Continuing education	3,749	293	-	4,042
Medical waste disposal	2,084	-	-	2,084
	<u>\$ 3,995,842</u>	<u>\$ 240,946</u>	<u>\$ 413,048</u>	<u>\$ 4,649,836</u>

See accompanying notes.

**SILOAM FAMILY HEALTH CENTER
(D/B/A SILOAM HEALTH)
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the year ended June 30, 2016**

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 1,715,063	\$ 151,994	\$ 218,620	\$ 2,085,677
Contracted services	465,225	1,763	-	466,988
Donated patient care	443,167	-	-	443,167
Medical and lab supplies	317,677	-	-	317,677
Employee benefits	216,288	16,397	29,043	261,728
Lab fees	174,344	-	-	174,344
Payroll taxes	124,348	11,080	16,215	151,643
Depreciation	107,488	3,213	4,930	115,631
Technology expense	83,727	2,728	5,514	91,969
Interpreter services	75,254	-	-	75,254
Facilities	57,622	1,723	2,643	61,988
Development	-	-	38,332	38,332
Communications	3,187	-	32,771	35,958
Insurance	29,806	4,830	1,271	35,907
Utilities	25,540	763	1,172	27,475
Meetings, workshop and travel	11,667	4,769	2,894	19,330
Miscellaneous	5,863	9,073	19	14,955
Telephone	10,867	287	440	11,594
Dues and licenses	5,180	5,462	539	11,181
Office expense	7,967	521	2,528	11,016
Accounting	-	10,026	-	10,026
Institute programs	7,904	-	-	7,904
Volunteer development	5,465	105	244	5,814
Medical waste disposal	2,522	-	-	2,522
Continuing education	712	466	-	1,178
	<u>\$ 3,896,883</u>	<u>\$ 225,200</u>	<u>\$ 357,175</u>	<u>\$ 4,479,258</u>

See accompanying notes.

**SILOAM FAMILY HEALTH CENTER
(D/B/A SILOAM HEALTH)
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended June 30, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
Operating activities:		
Change in net assets	\$ 545,171	\$ 370,176
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	129,138	115,631
Noncash capital contribution	-	(8,000)
Net realized and unrealized gains on investments	(60,091)	(81,477)
Loss on disposal of assets	9,400	-
Changes in operating assets and liabilities:		
Accounts receivable	87,194	(26,396)
Promises to give	153,925	(130,041)
Inventory	(2,895)	(16,062)
Prepaid expenses	14,436	(2,399)
Accounts payable and accrued expenses	(139,436)	125,544
Accrued compensated absences	4,208	(18,679)
Unearned revenue	(25,000)	25,000
Net cash flows provided by operating activities	<u>716,050</u>	<u>353,297</u>
Investing activities:		
Proceeds from sale of securities	236,596	288,712
Purchases of securities	(263,648)	(232,950)
Furniture and equipment acquired	(91,898)	(103,167)
Net cash flows used in investing activities	<u>(118,950)</u>	<u>(47,405)</u>
Net increase in cash and equivalents	597,100	305,892
Cash and cash equivalents, beginning of year	<u>1,773,657</u>	<u>1,467,765</u>
Cash and cash equivalents, end of year	<u>\$ 2,370,757</u>	<u>\$ 1,773,657</u>
Cash and cash equivalents consist of the following:		
Cash and cash equivalents	\$ 2,259,371	\$ 1,615,936
Cash and cash equivalents held by investment firm	<u>111,386</u>	<u>157,721</u>
	<u>\$ 2,370,757</u>	<u>\$ 1,773,657</u>

See accompanying notes.

**SILOAM FAMILY HEALTH CENTER
(D/B/A SILOAM HEALTH)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2017 and 2016**

NOTE 1 – NATURE OF ACTIVITIES

Siloam Family Health Center d/b/a Siloam Health (Siloam) is a charitably funded nonprofit Tennessee corporation that exists to share the love of Christ by providing high-quality, affordable health care to the uninsured and underserved in Middle Tennessee. Siloam partners with health care organizations, churches, and individual volunteers to deliver primary and specialty care and community health promotion that addresses the physical, mental, spiritual and social determinants of health in a culturally sensitive and compassionate manner.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Principles

Siloam's consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Financial Accounting Standards Board has established the Accounting Standards Codification as the sole source of authoritative GAAP.

Principles of Consolidation

The consolidated financial statements include the accounts of Siloam and its wholly-owned subsidiary, Siloam Health Services, LLC. All significant intercompany balances and transactions have been eliminated in consolidation.

Financial Statement Presentation

Siloam reports information regarding its consolidated financial position and activities according to three classes of net assets as follows:

Unrestricted net assets – include those assets whose use is not restricted by donor-imposed stipulations even though their use may be limited in other respects such as by contract or board designation.

Temporarily restricted net assets – include those contributions restricted by the donor for specific purposes or time periods. When a purpose restriction is accomplished or a time restriction ends, temporarily restricted net assets are released to unrestricted net assets. For contributions restricted to the acquisition of property and equipment, the restrictions are released when the asset is placed in service unless the donor has provided more explicit requirements.

Permanently restricted net assets – include contributions that donors have restricted in perpetuity. The investment return is available to support operations. Siloam had no permanently restricted net assets at June 30, 2017 and 2016.

**SILOAM FAMILY HEALTH CENTER
(D/B/A SILOAM HEALTH)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
June 30, 2017 and 2016**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

Public support and revenue are reported as increases in unrestricted net assets unless they are restricted by donor-imposed stipulations. Expenses are generally reported as decreases in unrestricted net assets.

Contributions

Contributions received, including unconditional promises to give, are reported as increases in unrestricted net assets unless specifically restricted by the donor, or if the contribution is designated as support for future periods. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of activities as net assets released from restrictions. Donor restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

Noncash donations are recorded as contributions at their estimated fair values at the date of the donation.

Service Contracts

Siloam recognizes revenues from service contracts related to the State of Tennessee and Catholic Charities of Tennessee, Inc. at the time services are performed based on fees approved under such agreements. These revenues are recorded as unrestricted revenue.

Donated Services

Various physicians, nurses, pharmacists and medical support personnel donate services to Siloam. These services are accounted for at fair market value and totaled \$401,056 and \$443,167 in the years ended June 30, 2017 and 2016, respectively.

Significant medical services included, but not limited to, hospital and laboratory testing and pharmaceutical supplies are donated to patients of Siloam by other providers at little or no cost to the patient. These services and products are often given at the urging of Siloam. Since Siloam does not directly make the contributions, the value of such services and products are not reflected in the accompanying consolidated financial statements.

Patient Fees

Patient services are provided by Siloam at fees based on a sliding scale tied to the federal poverty level. However, no patient is turned away due to inability to pay. Since Siloam does not pursue collection of patient fees, they are recognized as revenue only when received.

**SILOAM FAMILY HEALTH CENTER
(D/B/A SILOAM HEALTH)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
June 30, 2017 and 2016**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Allocation of Expenses

Expenses are charged directly to program services, general and administrative or fundraising categories based on specific identification. Indirect expenses have been allocated based on estimates made by Siloam's management.

Use of Estimates

The preparation of consolidated 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 reported amounts of assets and liabilities and changes therein, and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash equivalents consist of short-term money market accounts with original maturities of 90 days or less and not invested as part of the investment fund. These amounts are carried at cost, which approximate fair value. Cash and cash equivalents that are part of the investment fund are shown within investments as those resources are not used for daily operating purposes.

Siloam maintains at various financial institutions cash and cash equivalent accounts which may at times exceed federally insured amounts and which may also exceed consolidated statement of financial position amounts due to outstanding checks. Cash in excess of federally insured limits totaled \$1,711,101 and \$576,685, as of June 30, 2017 and 2016, respectively. Management periodically evaluates the credit-worthiness of the financial institutions, and Siloam has not experienced any losses on such deposits.

Accounts Receivable

Accounts receivable consist of amounts due under service contracts and other receivables. Management considers all accounts collectible and, therefore, an allowance for doubtful accounts has not been recognized in the consolidated financial statements.

Promises to Give

Unconditional promises to give are recognized as revenues in the period received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

**SILOAM FAMILY HEALTH CENTER
(D/B/A SILOAM HEALTH)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
June 30, 2017 and 2016**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventory

Inventory represents purchased pharmaceuticals held for use and is stated at the lower of cost or market. Cost is determined on a first-in, first-out (FIFO) method.

Investments

Siloam's investment securities are recorded at fair value if donated and at cost if purchased and adjusted annually to fair value. Realized gains and losses on sales of securities are recognized on the trade date using the specific identification method. Market values are determined based on quoted prices and significant other observable inputs. Realized and unrealized investment earnings are included in investment income on the consolidated statements of activities.

Interest income is recognized as earned. Dividends are recognized on the ex-dividend date.

Property and Equipment

Property and equipment are stated at cost, or fair value at date of donation if contributed, less accumulated depreciation. Expenditures for repairs and maintenance are charged to expense as incurred and additions and improvements that significantly extend the lives of assets are capitalized. Upon the sale or other retirement of depreciable property, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is reflected in operations.

Depreciation is provided using the straight-line method over the estimated useful lives of the depreciable assets.

Income Taxes

Siloam is exempt from federal income taxes under Section 501(c)(3) of the internal revenue code and has been classified as other than a private foundation. Accordingly, no provision has been made for income taxes in the accompanying consolidated financial statements.

Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Accounting principles generally accepted in the United States of America establish a fair value hierarchy as described below:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities.

**SILOAM FAMILY HEALTH CENTER
(D/B/A SILOAM HEALTH)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
June 30, 2017 and 2016**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements (Continued)

Level 2 – Inputs other than quoted prices with Level 1 that are observable for the asset or liability, either directly or indirectly through corroboration with observable data.

Level 3 – Inputs that are observable for the asset or liability and include situations where there is little, if any, market activity for the asset or liability. These inputs into the determination of value are based upon the best information in the circumstances and may require significant management judgment or estimation.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. Siloam’s assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the asset or liability.

Reclassifications

Certain reclassifications have been made to the 2016 consolidated financial statements to conform to the 2017 presentation.

Subsequent Events

Siloam has evaluated subsequent events for potential recognition and disclosure through August 31, 2017, the date the consolidated financial statements were available to be issued. Management is not aware of any significant events that occurred subsequent to the consolidated statement of financial position date but prior to the filing of this report that would have a material impact on the consolidated financial statements.

NOTE 3 – PROMISES TO GIVE

Promises to give at June 30, 2017 and 2016, are as follows:

	<u>2017</u>	<u>2016</u>
Less than one year	\$ <u>204,550</u>	\$ <u>358,475</u>

Management determined that no allowance for uncollectible promises to give was necessary as of June 30, 2017 and 2016.

**SILOAM FAMILY HEALTH CENTER
(D/B/A SILOAM HEALTH)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
June 30, 2017 and 2016**

NOTE 4 – ACCOUNTS RECEIVABLE

Accounts receivable consist of the following:

	2017	2016
Service contracts	\$ 258,366	\$ 346,040
Other	6,775	6,295
	\$ 265,141	\$ 352,335

As of June 30, 2017 and 2016, receivables from two service contracts represented 97% and 98%, respectively, of Siloam’s total accounts receivable.

NOTE 5 – INVESTMENTS AND BOARD DESIGNATED ENDOWMENT FUND

Siloam’s endowment investment policy centers on the preservation of capital. Secondly, the Fund should provide reasonable growth of principal given the market environment, as well as an adequate level of income to supplement the financial needs of Siloam.

With that framework, the investment policy establishes an achievable return objective through diversification of asset classes. The monies in the endowment are to be invested in a portfolio that is comprised of equity securities, fixed income securities and cash reserves. All assets selected for the portfolio must have available market value and reasonable liquidity with the following target allocation:

Equities	50-70%*
Fixed Income	25-40%
Cash Reserves	0-10%

*American Depository Receipts (ADR’s) are to be limited to no more than 10% of total equities owned.

The fund is managed by an investment advisor and held by an investment firm.

Siloam’s spending policy allows the board to authorize disbursements up to 5% of the total value of the fund annually for the use in operating activities. Amounts disbursed from the fund totaled \$65,000 and \$0 for the years ended June 30, 2017 and 2016, respectively.

**SILOAM FAMILY HEALTH CENTER
(D/B/A SILOAM HEALTH)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
June 30, 2017 and 2016**

NOTE 5 – INVESTMENTS AND BOARD DESIGNATED ENDOWMENT FUND (Continued)

The board-designated endowment fund is summarized as follows as of June 30:

	<u>2017</u>	<u>2016</u>
Cash and cash equivalents	\$ 111,386	\$ 157,721
Common equities	1,216,921	1,290,308
Corporate bonds	604,853	459,964
CMO and asset backed securities	5,687	10,140
Mutual funds	<u>100,145</u>	<u>80,051</u>
	<u>1,927,606</u>	<u>1,840,463</u>
	<u>\$ 2,038,992</u>	<u>\$ 1,998,184</u>

The changes in endowment net assets are as follows for the years ended June 30:

	<u>2017</u>	<u>2016</u>
Balance, beginning of year	\$ 1,998,184	\$ 1,870,500
Investment return:		
Change in unrealized (losses) gains	(20,148)	71,093
Realized gain on investments	80,239	10,384
Dividend and interest income	60,538	60,079
Investment fees	<u>(14,821)</u>	<u>(13,872)</u>
Investment income, net	105,808	127,684
Appropriation for expenditure	<u>(65,000)</u>	<u>-</u>
	<u>\$ 2,038,992</u>	<u>\$ 1,998,184</u>

NOTE 6 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following major classifications at June 30:

	<u>2017</u>	<u>2016</u>
Land	\$ 291,560	\$ 291,560
Building	2,222,883	2,165,035
Furniture and equipment	<u>804,511</u>	<u>813,841</u>
	3,318,954	3,270,436
Accumulated depreciation	<u>(1,405,083)</u>	<u>(1,309,925)</u>
	<u>\$ 1,913,871</u>	<u>\$ 1,960,511</u>

**SILOAM FAMILY HEALTH CENTER
(D/B/A SILOAM HEALTH)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
June 30, 2017 and 2016**

NOTE 7 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following at June 30:

	<u>2017</u>	<u>2016</u>
Community Health Outreach	\$ 326,590	\$ 497,409
Building Maintenance Fund	239,544	248,318
Time restriction	126,625	108,875
Other	<u>16,694</u>	<u>2,818</u>
	<u>\$ 709,453</u>	<u>\$ 857,420</u>

NOTE 8 – PENSION PLAN

Siloam has a Savings Incentive Match Plan for Employees (SIMPLE) covering substantially all full-time employees. During the years ended June 30, 2017 and 2016, Siloam matched employee contributions up to 3% of qualifying compensation. Siloam's contributions under this plan totaled \$47,988 and \$34,178 for the years ended June 30, 2017 and 2016, respectively.

NOTE 9 – FAIR VALUE MEASUREMENTS

The following table represents Siloam's fair value hierarchy for those assets measured at fair value on a recurring basis as of June 30, 2017 and 2016:

	<u>Fair Value Measurements as of June 30, 2017</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual Funds	\$ 100,145	\$ -	\$ -	\$ 100,145
Common stock	1,216,921	-	-	1,216,921
Corporate bonds	-	604,853	-	604,853
Cash and cash equivalents	111,386	-	-	111,386
CMO and asset backed securities	<u>-</u>	<u>5,687</u>	<u>-</u>	<u>5,687</u>
Total assets at fair value	<u>\$ 1,428,452</u>	<u>\$ 610,540</u>	<u>\$ -</u>	<u>\$ 2,038,992</u>

**SILOAM FAMILY HEALTH CENTER
(D/B/A SILOAM HEALTH)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
June 30, 2017 and 2016**

NOTE 9 – FAIR VALUE MEASUREMENTS (Continued)

	<u>Fair Value Measurements as of June 30, 2016</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual Funds	\$ 80,051	\$ -	\$ -	\$ 80,051
Common stock	1,290,308	-	-	1,290,308
Corporate bonds	-	459,964	-	459,964
Cash and cash equivalents	157,721	-	-	157,721
CMO and asset backed securities	<u>-</u>	<u>10,140</u>	<u>-</u>	<u>10,140</u>
Total assets at fair value	<u>\$ 1,528,080</u>	<u>\$ 470,104</u>	<u>\$ -</u>	<u>\$ 1,998,184</u>

Siloam uses the market approach to determine the fair value of investments measured using Level 2 inputs.

NOTE 10 – CONCENTRATION OF REVENUE

Siloam receives a significant portion of service contract revenue used for operations from a contract with Catholic Charities of Tennessee, Inc. A major reduction of funds from this contract, should it occur, would have a material effect on the programs and the financial position of Siloam.