

SILOAM HEALTH

CONSOLIDATED FINANCIAL STATEMENTS

As of and for the Years Ended June 30, 2020 and 2019

And Report of Independent Auditor

SILOAM HEALTH
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Report of Independent Auditor

To the Board of Directors
Siloam Health
Nashville, Tennessee

We have audited the accompanying consolidated financial statements of Siloam Health (a nonprofit organization), which comprise the consolidated statements of financial position as of June 30, 2020 and 2019, 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 Health as of June 30, 2020 and 2019, 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.

Emphasis of Matter

As discussed in Note 14, towards the end of December 2019, an outbreak of a novel strain of coronavirus (COVID-19) emerged globally. As a result, there have been various mandates and/or requests from federal, state, and local authorities resulting in closures of non-essential businesses, which could negatively impact Siloam Health's operations. Although it is not possible to reliably estimate the length or severity of this outbreak and hence its financial impact, any significant reduction of contributions could negatively impact Siloam Health's operations for an indeterminable time period. Other financial impacts could occur though such potential impacts are unknown at this time. Our opinion is not modified with respect to this matter.

Cheng Bekant LLP

Nashville, Tennessee
October 15, 2020

SILOAM HEALTH
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2020 AND 2019

	2020	2019
ASSETS		
Cash and cash equivalents	\$ 3,945,102	\$ 2,166,057
Accounts receivable	148,471	266,576
Promises to give	2,287,936	258,128
Inventory	17,980	26,257
Prepaid expenses	43,291	55,975
Investments:		
Securities, at fair value	1,895,235	2,047,680
Cash and cash equivalents held by investment firm	12,909	43,020
Property and equipment, net	2,245,800	1,880,767
Total Assets	\$ 10,596,724	\$ 6,744,460
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 100,061	\$ 161,782
Accrued compensated absences	164,450	98,345
Note payable	532,700	-
Total Liabilities	797,211	260,127
Net Assets:		
Without Donor Restrictions:		
Undesignated	3,917,254	4,070,063
Board-designated	1,908,144	2,090,700
Total Without Donor Restrictions	5,825,398	6,160,763
With Donor Restrictions	3,974,115	323,570
Total Net Assets	9,799,513	6,484,333
Total Liabilities and Net Assets	\$ 10,596,724	\$ 6,744,460

SILOAM HEALTH
CONSOLIDATED STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Changes in Net Assets Without Donor Restrictions:		
Public Support and Revenue:		
Contributions	\$ 2,362,852	\$ 2,033,956
Service contracts	785,903	1,051,458
Donated services	327,573	416,665
Patient fees	356,238	348,895
Investment (loss) income, net	(82,556)	177,307
Interest income	35,912	34,711
Loss on disposal of equipment	-	(582)
Total Public Support and Revenue	<u>3,785,922</u>	<u>4,062,410</u>
Net Assets Released from Restrictions:		
Satisfaction of donor restrictions	<u>628,697</u>	<u>356,588</u>
Total Public Support and Revenue and Net Assets Released from Restrictions	<u>4,414,619</u>	<u>4,418,998</u>
Expenses:		
Program services	3,607,532	3,650,100
General and administrative	307,386	348,329
Fundraising	<u>835,066</u>	<u>556,184</u>
Total Expenses	<u>4,749,984</u>	<u>4,554,613</u>
Change in Net Assets Without Donor Restrictions	<u>(335,365)</u>	<u>(135,615)</u>
Changes in Net Assets With Donor Restrictions:		
Restricted contributions	4,279,242	155,106
Net assets released from restrictions	<u>(628,697)</u>	<u>(356,588)</u>
Changes in Net Assets With Donor Restrictions	<u>3,650,545</u>	<u>(201,482)</u>
Change in net assets	3,315,180	(337,097)
Net assets, beginning of year	<u>6,484,333</u>	<u>6,821,430</u>
Net assets, end of year	<u>\$ 9,799,513</u>	<u>\$ 6,484,333</u>

SILOAM HEALTH
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2020

	Program Services	General and Administrative	Fundraising	Total
Salaries	\$ 2,030,854	\$ 211,597	\$ 446,809	\$ 2,689,260
Employee benefits	264,956	23,626	54,035	342,617
Donated patient care	307,687	19,886	-	327,573
Contracted services	134,995	61	155,810	290,866
Payroll taxes	144,438	13,296	31,280	189,014
Medical and lab supplies	176,300	-	-	176,300
Technology expense	102,650	6,079	11,995	120,724
Depreciation	104,120	4,430	6,907	115,457
Lab fees	108,763	-	-	108,763
Facilities	77,856	2,330	3,632	83,818
Communications	809	-	56,644	57,453
Development	-	180	55,035	55,215
Interpreter services	31,722	-	-	31,722
Insurance	23,990	4,200	988	29,178
Utilities	23,376	819	1,277	25,472
Office supplies	18,904	1,930	3,650	24,484
Meetings, workshop, and travel	17,573	2,840	3,836	24,249
Accounting	5,388	12,000	-	17,388
Telephone	14,589	1,013	706	16,308
Dues and licenses	11,941	1,270	1,821	15,032
Miscellaneous	4,003	1,829	582	6,414
Volunteer development	2,618	-	59	2,677
	<u>\$ 3,607,532</u>	<u>\$ 307,386</u>	<u>\$ 835,066</u>	<u>\$ 4,749,984</u>

SILOAM HEALTH**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES***YEAR ENDED JUNE 30, 2019*

	Program Services	General and Administrative	Fundraising	Total
Salaries	\$ 1,894,888	\$ 214,549	\$ 276,569	\$ 2,386,006
Donated patient care	393,290	23,375	-	416,665
Employee benefits	278,761	23,218	35,063	337,042
Contracted services	235,020	26,888	795	262,703
Medical and lab supplies	179,460	-	-	179,460
Payroll taxes	134,915	15,245	19,477	169,637
Lab fees	121,703	-	-	121,703
Depreciation	109,113	4,640	5,966	119,719
Development	-	-	119,243	119,243
Technology expense	92,899	4,801	9,159	106,859
Communications	259	-	73,419	73,678
Facilities	49,628	2,016	2,592	54,236
Interpreter services	41,128	-	-	41,128
Insurance	31,706	4,326	951	36,983
Meetings, workshop, and travel	20,107	9,510	6,921	36,538
Utilities	22,267	947	1,218	24,432
Office supplies	12,526	1,018	3,133	16,677
Accounting	3,763	11,600	-	15,363
Telephone	13,428	850	475	14,753
Dues and licenses	7,501	4,021	1,197	12,719
Miscellaneous	4,055	1,325	6	5,386
Volunteer development	3,683	-	-	3,683
	<u>\$ 3,650,100</u>	<u>\$ 348,329</u>	<u>\$ 556,184</u>	<u>\$ 4,554,613</u>

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

SILOAM HEALTH
CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Change in net assets	\$ 3,315,180	\$ (337,097)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	115,457	119,719
Net realized and unrealized gains (losses) on investments	130,799	(126,649)
Loss on disposal of assets	-	582
Contributions restricted for long-term purposes	(1,990,906)	-
Changes in operating assets and liabilities:		
Accounts receivable	118,105	(108,648)
Promises to give	(2,029,808)	(26,339)
Inventory	8,277	(9,425)
Prepaid expenses	12,684	(37,447)
Accounts payable and accrued expenses	(61,721)	49,066
Accrued compensated absences	66,105	18,859
Net cash flows used in operating activities	<u>(315,828)</u>	<u>(457,379)</u>
Cash flows from investing activities:		
Proceeds from sale of securities	509,478	249,030
Purchases of securities	(487,832)	(197,443)
Purchases of property and equipment	<u>(480,490)</u>	<u>(10,055)</u>
Net cash flows (used in) provided by investing activities	<u>(458,844)</u>	<u>41,532</u>
Cash flows from financing activities:		
Capital campaign contributions received	1,990,906	-
Proceeds from note payable	<u>532,700</u>	<u>-</u>
Net cash flows provided by financing activities	<u>2,523,606</u>	<u>-</u>
Net increase (decrease) in cash and equivalents	1,748,934	(415,847)
Cash and cash equivalents, beginning of year	<u>2,209,077</u>	<u>2,624,924</u>
Cash and cash equivalents, end of year	<u>\$ 3,958,011</u>	<u>\$ 2,209,077</u>
Cash and cash equivalents consist of the following:		
Cash and cash equivalents	\$ 3,945,102	\$ 2,166,057
Cash and cash equivalents held by investment firm	<u>12,909</u>	<u>43,020</u>
	<u>\$ 3,958,011</u>	<u>\$ 2,209,077</u>

SILOAM HEALTH

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

Note 1—Nature of activities

Siloam Health (the “Organization”) is a faith-based, nonprofit organization that provides affordable, high-quality, whole-person health care to the uninsured and underserved in Middle Tennessee as well as health promotion among Nashville’s immigrant and refugee populations. Through the Organization’s comprehensive medical care and community health programs, the Organization addresses not only the physical health of the people they serve, but their spiritual, emotional, and mental health as well. The Organization also offers mentorship to the next generation of health care providers through its student education initiatives. The Organization’s mission is to share the love of Christ by serving those in need through health care.

Note 2—Summary of significant accounting policies

Accounting Principles – The Organization’s consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”). The Financial Accounting Standards Board (“FASB”) has established the Accounting Standards Codification (“ASC”) as the sole source of authoritative U.S. GAAP.

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

Basis of Presentation – In accordance with FASB ASC guidelines, the Organization reports information regarding its financial position and activities according to two classes of net assets based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization’s management and its Board of Directors.

Net Assets With Donor Restrictions – Net assets subject to stipulations imposed by donors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. None of the Organization’s net assets with donor restrictions are required to be held in perpetuity by the donors at June 30, 2020 and 2019.

Contributions – In accordance with FASB ASC guidelines, contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as increases to net assets with donor restrictions. When a restriction is fulfilled (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets are reclassified to net assets without donor restrictions and are reported in the statements of activities as net assets released from restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, the support is reported as increases to net assets without donor restrictions.

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

Service Contracts – The Organization 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 net assets without donor restriction.

SILOAM HEALTH

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

Note 2—Summary of significant accounting policies (continued)

Donated Services – Various physicians, nurses, pharmacists, and medical support personnel donate services to the Organization. These services are accounted for at fair market value and totaled \$327,573 and \$416,665 in the years ended June 30, 2020 and 2019, respectively.

Significant medical services including, but not limited to, hospital and laboratory testing and pharmaceutical supplies, are donated to patients of the Organization by other providers at little or no cost to the patient. These services and products are often given at the urging of the Organization. Since the Organization 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 the Organization 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 the Organization does not pursue collection of patient fees, they are recognized as revenue only when received.

Functional Allocation of Expenses – The costs of providing program and other activities have been summarized on a functional basis in the consolidated statements of activities. While most costs have been directly assigned to a functional category, certain joint costs have been allocated among program services and supporting services benefited. Such allocations are determined by management on an equitable basis. Expenses that are allocated consisted primarily of salaries and wages which were allocated based on time and effort.

Use of Estimates – The preparation of consolidated financial statements in conformity with U.S. GAAP 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.

The Organization maintains at various financial institutions cash and cash equivalent accounts which may at times exceed federally insured amounts and which may also exceed consolidated statements of financial position amounts due to outstanding checks. Cash in excess of federally insured limits totaled \$2,328,842 and \$1,178,185 as of June 30, 2020 and 2019, respectively. The Organization has not experienced any losses on such accounts and believes it is not exposed to any significant credit risks on cash.

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.

Inventory – Inventory represents purchased pharmaceuticals held for use and is stated at the lower of cost or net realizable value. Cost is determined on a first-in, first-out method.

SILOAM HEALTH

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

Note 2—Summary of significant accounting policies (continued)

Investments – The Organization’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 – The Organization 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.

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. The Organization’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.

Adoption of New Accounting Standards – In June 2018, FASB issued ASU 2018-08, *Not-for-Profit Entities Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The standard provides guidance on determining whether a transaction should be accounted for as a contribution or as an exchange transaction. A primary aspect of this determination is whether the two parties receive and sacrifice commensurate value. The standard also provides guidance on determining whether a contribution is conditional, helping entities better distinguish a donor-imposed condition from a donor-imposed restriction. The standard was adopted for the fiscal year ending June 30, 2020. There was no change in the timing and amount of revenue recognition as a result of the adoption of this ASU.

SILOAM HEALTH
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

Note 2—Summary of significant accounting policies (continued)

Accounting Policies for Future Pronouncements – In May 2014, FASB issued ASU 2014-09, *Revenue from Contracts with Customers*. ASU 2014-09 clarifies the principles for recognizing revenue and develops a common revenue standard under U.S. GAAP under which an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 is effective for the Organization for the year ending June 30, 2021. The Organization is currently evaluating the effect of the implementation of this new standard.

In February 2016, FASB issued ASU 2016-02, *Leases*. The ASU requires all leases with lease terms over 12 months to be capitalized as a right of use asset and lease liability on the consolidated statement of financial position at the date of lease commencement. Leases will be classified as either finance or operating. This distinction will be relevant for the pattern of expense recognition in the consolidated statement of activities. This ASU will be effective for the fiscal year ending June 30, 2023. The Organization is currently evaluating the effect of the implementation of this new standard.

Subsequent Events – The Organization has evaluated subsequent events for potential recognition and disclosure through October 15, 2020, the date the consolidated financial statements were available to be issued.

Note 3—Liquidity and availability of resources

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing program service activities as well as the conduct of services undertaken to support those activities to be general expenditures. Financial assets available for general expenditure, that is, without donor restrictions or other restrictions limiting their use within one year of the consolidated statement of financial position comprise the following at June 30:

	<u>2020</u>	<u>2019</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 3,945,102	\$ 2,166,057
Accounts receivable	148,471	266,576
Promises to give	2,287,936	258,128
Securities, at fair value	1,895,235	2,047,680
Cash and cash equivalents held by investment firm	12,909	43,020
Total financial assets	<u>8,289,653</u>	<u>4,781,461</u>
Less amounts not available to be used for general expenditures within one year:		
Net assets restricted for specific programs	(1,686,179)	(201,996)
Net assets restricted for time	(2,287,936)	(121,574)
Board-designated net assets	<u>(1,908,144)</u>	<u>(2,090,700)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 2,407,394</u>	<u>\$ 2,367,191</u>

SILOAM HEALTH
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

Note 4—Promises to give

Promises to give at June 30 are as follows:

	<u>2020</u>	<u>2019</u>
Less than one year	\$ 1,140,719	\$ 258,128
In one to five years	1,147,217	-
	<u>\$ 2,287,936</u>	<u>\$ 258,128</u>

Management determined that no allowance for uncollectible promises to give was necessary as of June 30, 2020 and 2019.

Note 5—Accounts receivable

Accounts receivable at June 30 consist of the following:

	<u>2020</u>	<u>2019</u>
Service contracts	\$ 136,006	\$ 218,689
Other	12,465	47,887
	<u>\$ 148,471</u>	<u>\$ 266,576</u>

As of June 30, 2020 and 2019, receivables from two service contracts represented 92% and 82%, respectively, of the Organization's total accounts receivable.

Note 6—Investments and board-designated reserves fund

The Organization's board-designated reserves investment policy centers on the preservation of its long-term real purchasing power while providing a relatively predictable and increasing stream of annual distributions when needed to supplement the financial needs of the Organization. The Organization targets a diverse asset allocation that places an emphasis on marketable equity and fixed income securities within prudent risk constraints.

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

The Organization'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 \$100,000 for the years ended June 30, 2020 and 2019.

SILOAM HEALTH
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

Note 6—Investments and board-designated reserves fund (continued)

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

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 12,909	\$ 43,020
Common equities	1,177,534	1,366,161
Corporate bonds	646,749	598,630
CMO and asset backed securities	1,464	4,622
Mutual funds	69,488	78,267
	<u>1,895,235</u>	<u>2,047,680</u>
	<u>\$ 1,908,144</u>	<u>\$ 2,090,700</u>

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

	<u>2020</u>	<u>2019</u>
Balance, beginning of year	\$ 2,090,700	\$ 2,013,393
Investment return:		
Realized and unrealized (losses) gains	(130,799)	126,649
Dividend and interest income	63,059	66,185
Investment fees	(14,816)	(15,527)
Investment income, net	(82,556)	177,307
Appropriation for expenditure	(100,000)	(100,000)
	<u>(182,556)</u>	<u>77,307</u>
Balance, end of year	<u>\$ 1,908,144</u>	<u>\$ 2,090,700</u>

Note 7—Property and equipment

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

	<u>2020</u>	<u>2019</u>
Land	\$ 291,560	\$ 291,560
Building	2,429,613	2,415,349
Furniture and equipment	926,706	813,140
Leasehold improvements	299,643	-
	<u>3,947,522</u>	<u>3,520,049</u>
Accumulated depreciation	<u>(1,701,722)</u>	<u>(1,639,282)</u>
	<u>\$ 2,245,800</u>	<u>\$ 1,880,767</u>

SILOAM HEALTH
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

Note 8 – Note payable

In accordance with Section 1102 of the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”), the Organization applied for and received a Paycheck Protection Program loan in April 2020, totaling \$532,700. Section 1106 of the CARES Act provides for forgiveness of up to the full principal amount of qualifying loans including accrued interest to the extent the Organization incurs certain qualifying expenses and maintains a certain level of average full-time equivalent employees during the measurement period following closing of the loan. Any portion of the loan that is not forgiven has a term of two years with an interest rate of 1%. The balance is recorded as note payable on the statement of financial position at June 30, 2020.

Future principal payments on the note are as follows at June 30, 2020:

Years Ending June 30,

2021	\$	144,181
2022		276,949
2023		111,570
	\$	<u>532,700</u>

Note 9—Net assets with donor restrictions

Net assets with donor restrictions consist of the following at June 30:

	<u>2020</u>	<u>2019</u>
Building Maintenance Fund	\$ 171,593	\$ 171,593
Time restriction	2,287,936	121,574
Comprehensive Campaign	1,513,748	19,000
Other	838	11,403
	<u>\$ 3,974,115</u>	<u>\$ 323,570</u>

Note 10—Operating lease

In March 2020, the Organization entered into a lease agreement for its new satellite location which expires February 2023, subject to renewal options. Lease payments are \$3,550 per month.

Future minimum lease payments required under the operating lease as of June 30, 2020 are as follows:

Years Ending June 30,

2021	\$	42,600
2022		42,600
2023		28,400
	\$	<u>113,600</u>

Rent expense under the lease arrangement totaled \$14,200 for the year ended June 30, 2020 and is included as facilities in the consolidated statement of functional expenses.

SILOAM HEALTH
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

Note 11—Pension plan

The Organization has a Savings Incentive Match Plan for Employees (SIMPLE) covering substantially all full-time employees. During the years ended June 30, 2020 and 2019, the Organization matched employee contributions up to 3% of qualifying compensation. The Organization's contributions under this plan totaled \$59,541 and \$58,437 for the years ended June 30, 2020 and 2019, respectively.

Note 12 – Capital campaign

The Organization entered into a capital campaign called “Comprehensive Campaign” during the year ended June 30, 2020 to raise funds to finance an additional satellite location and general expansion. The total contributions pledged for the capital campaign at June 30, 2020 were \$3,756,812. Total pledged campaign contributions received as of June 30, 2020 were \$1,990,906. As of June 30, 2020, the outstanding pledge balances totaled \$1,765,906.

Note 13—Fair value measurements

The following tables represent the Organization's fair value hierarchy for those assets measured at fair value on a recurring basis as of June 30:

Fair Value Measurements as of June 30, 2020

	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 69,488	\$ -	\$ -	\$ 69,488
Common stock	1,177,534	-	-	1,177,534
Corporate bonds	-	646,749	-	646,749
Cash and cash equivalents	12,909	-	-	12,909
CMO and asset backed securities	-	1,464	-	1,464
Total assets at fair value	\$ 1,259,931	\$ 648,213	\$ -	\$ 1,908,144

Fair Value Measurements as of June 30, 2019

	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 78,267	\$ -	\$ -	\$ 78,267
Common stock	1,366,161	-	-	1,366,161
Corporate bonds	-	598,630	-	598,630
Cash and cash equivalents	43,020	-	-	43,020
CMO and asset backed securities	-	4,622	-	4,622
Total assets at fair value	\$ 1,487,448	\$ 603,252	\$ -	\$ 2,090,700

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

SILOAM HEALTH

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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Note 14—Commitments and contingencies

Late in December 2019, an outbreak of a novel strain of coronavirus (“COVID-19”) emerged globally. As a result of the spread of COVID-19, economic uncertainties have arisen which could potentially impact revenue and operations for an indeterminable time period. Other financial impacts could occur though such potential impacts are unknown at this time. It is not possible to reliably estimate the length or severity of this outbreak and hence its financial impact.