

Salvus Center, Inc.
Audited Financial Statements
Years Ended June 30, 2011 and 2010

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Salvus Center, Inc.

I have audited the accompanying statements of assets, liabilities and net assets – modified cash basis of Salvus Center, Inc. (a nonprofit corporation) as of June 30, 2011 and 2010, and the related statements of support, revenue, expenses and changes in net assets – modified cash basis, functional expenses – modified cash basis and cash flows – modified cash basis for the years then ended. These financial statements are the responsibility of the Organization's management. My responsibility is to express an opinion on these financial statements based on my audits.

I conducted my audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audits provide a reasonable basis for my opinion.

As described in Note 1, these financial statements were prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In my opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the assets, liabilities and net assets of Salvus Center, Inc. as of June 30, 2011 and 2010, and its support, revenues, expenses and changes in net assets and its cash flows for the years then ended, on the basis of accounting described in Note 1.



White House, Tennessee
January 24, 2012

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SALVUS CENTER, INC.
Statements of Assets, Liabilities and Net Assets -
Modified Cash Basis
June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
Current assets		
Cash	\$ 232,881	\$ 145,793
Property tax receivable	4,667	-
Total current assets	<u>237,548</u>	<u>145,793</u>
Property and equipment		
Land	277,979	277,979
Building and improvements	300,792	299,526
Medical and office equipment, furniture and fixtures	93,468	91,089
Software	18,301	18,301
Leasehold improvements	13,476	14,276
	<u>704,016</u>	<u>701,171</u>
Less accumulated depreciation	<u>(98,740)</u>	<u>(66,865)</u>
Property and equipment, net	<u>605,276</u>	<u>634,306</u>
Total assets	<u>\$ 842,824</u>	<u>\$ 780,099</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Payroll withholding	\$ 218	\$ -
Total liabilities	<u>218</u>	<u>-</u>
Net assets		
Unrestricted	839,277	776,770
Temporarily restricted	3,329	3,329
Total net assets	<u>842,606</u>	<u>780,099</u>
Total liabilities and net assets	<u>\$ 842,824</u>	<u>\$ 780,099</u>

SALVUS CENTER, INC.
Statements of Support, Revenue, Expenses and Changes in Net Assets -
Modified Cash Basis
Years Ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Unrestricted net assets		
Public support and revenues		
Patient fees	\$ 108,948	\$ 101,233
Fees for service contracts	68,326	63,201
Contributions from faith communities	46,107	45,428
Contributions from individuals	221,014	59,062
Contributions from corporations	1,650	1,500
Foundation and trust grants	153,848	158,122
Non-profit grants	10,000	15,120
Government grants and reimbursements	85,940	103,439
Special event	33,598	31,958
Donated use of facilities	2,694	2,694
Donated property and equipment	633	171,772
Donated services	4,060	2,632
Interest and dividend income	1,594	13,412
Net realized and unrealized gains (losses) on investments	-	5,630
Miscellaneous income	594	215
Net assets released from restrictions	-	671
Total unrestricted public support, revenues and reclassifications	<u>739,006</u>	<u>776,089</u>
Expenses		
Program services	536,177	508,082
Management and general	85,921	70,859
Fundraising	54,401	67,330
Total expenses	<u>676,499</u>	<u>646,271</u>
Increase in unrestricted net assets	<u>62,507</u>	<u>129,818</u>
Temporarily restricted net assets		
Contributions from individuals	-	4,000
Net assets released from restrictions	-	(671)
Increase in temporarily restricted net assets	<u>-</u>	<u>3,329</u>
Total increase in net assets	62,507	133,147
Net assets at beginning of year	<u>780,099</u>	<u>646,952</u>
Net assets at end of year	<u><u>\$ 842,606</u></u>	<u><u>\$ 780,099</u></u>

See notes to financial statements.

SALVUS CENTER, INC.
Statements of Functional Expenses -
Modified Cash Basis
Years Ended June 30, 2011 and 2010

	2011				2010			
	Supporting Services		Supporting Services		Supporting Services		Supporting Services	
	Program Services	Management & General	Fundraising	Total	Program Services	Management & General	Fundraising	Total
Salaries and wages	\$ 276,769	\$ 31,500	\$ 7,875	\$ 316,144	\$ 270,620	\$ 34,125	\$ 7,875	\$ 312,620
Payroll taxes	23,315	1,924	472	25,711	21,569	3,542	818	25,929
Employee benefits	21,024	6,572	847	28,443	17,918	5,942	2,644	26,504
Advertising	-	1,735	404	2,139	-	-	-	-
Conferences	-	235	-	235	-	55	55	110
Contract medical services	78,547	-	-	78,547	51,058	-	-	51,058
Depreciation and amortization	15,517	16,614	344	32,475	16,717	9,256	437	26,410
Fundraising consultant	-	-	36,000	36,000	-	-	36,000	36,000
Insurance	16,474	4,983	-	21,457	24,154	1,862	7	26,023
Interest expense	-	49	-	49	-	-	-	-
Janitorial services	4,950	1,500	70	6,520	5,120	1,640	-	6,760
Licenses and permits	400	367	-	767	400	340	-	740
Loss on disposal of assets	200	-	-	200	-	-	-	-
Meals and entertainment	238	590	71	899	135	155	-	290
Medical supplies	5,884	-	-	5,884	4,995	-	-	4,995
Medical waste disposal	991	-	-	991	1,357	-	-	1,357
Membership dues	-	915	-	915	225	290	-	515
Miscellaneous	867	362	-	1,229	699	1,402	-	2,101
Office supplies	4,952	372	15	5,339	5,568	233	235	6,036
Patient assistance	28,162	-	-	28,162	9,516	-	-	9,516
Payroll processing fees	-	1,058	-	1,058	-	861	-	861
Postage	639	284	788	1,711	1,226	64	2,119	3,409
Printing	1,357	266	1,762	3,385	1,746	132	1,637	3,515
Professional fees	4,206	11,245	250	15,701	360	6,422	-	6,782
Property taxes	-	775	-	775	-	-	-	-
Recognition appreciation	-	2,189	-	2,189	-	627	-	627
Rent expense	32,688	55	-	32,743	54,097	1,556	-	55,653
Repairs and maintenance	256	-	-	256	-	-	-	-
Special event	-	-	5,503	5,503	-	-	15,430	15,430
Staff development	240	186	-	426	1,843	-	-	1,843
Technical support	4,569	149	-	4,718	4,405	-	-	4,405
Telephone	5,389	1,996	-	7,385	5,139	1,855	73	7,067
Utilities	8,543	-	-	8,543	9,215	500	-	9,715
Total expenses	<u>\$ 536,177</u>	<u>\$ 85,921</u>	<u>\$ 54,401</u>	<u>\$ 676,499</u>	<u>\$ 508,082</u>	<u>\$ 70,859</u>	<u>\$ 67,330</u>	<u>\$ 646,271</u>

See notes to financial statements.

SALVUS CENTER, INC.
Statements of Cash Flows -
Modified Cash Basis
Years Ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities		
Increase in net assets	\$ 62,507	\$ 133,147
Adjustments to reconcile increase in net assets to net cash (used) provided by operating activities:		
Depreciation and amortization	32,475	26,410
Loss on disposal of assets	200	
Contributions of property and equipment	(633)	(171,772)
Net realized and unrealized (gains) losses on investments	-	(5,630)
Increase in property tax receivable	(4,667)	
Decrease in other receivable	-	374
Increase in payroll withholding	218	-
	<u>90,100</u>	<u>(17,471)</u>
Net cash (used) provided by operating activities		
Cash flows from investing activities		
Proceeds from sales of marketable securities	-	30,318
Dividends reinvested to purchase investments	-	(124)
Purchase of property and equipment	(3,012)	(452,404)
	<u>(3,012)</u>	<u>(422,210)</u>
Net cash used by investing activities		
Net increase (decrease) in cash	87,088	(439,681)
Cash, beginning of year	<u>145,793</u>	<u>585,474</u>
Cash, end of year	<u><u>\$ 232,881</u></u>	<u><u>\$ 145,793</u></u>
Supplemental disclosure of cash flow information		
Cash paid during the year for interest	<u>\$ 49</u>	<u>\$ -</u>
Supplemental disclosure of non-cash investing activities		
Contributions of property and equipment	<u><u>\$ 633</u></u>	<u><u>\$ 171,772</u></u>

SALVUS CENTER, INC.
Notes to Financial Statements
Years Ended June 30, 2011 and 2010

Note 1. Nature of Activities and Significant Accounting Policies

A. Organization and Nature of Activities

Inspired by the Biblical mandate to care for the sick and the needy, a diverse group of Sumner County's leading citizens came together in fall 2004 to found Salvus Clinic, a faith-based nonprofit organization dedicated to providing healthcare for the working uninsured in Sumner County, Tennessee. In February 2005, the charter was amended to change the name to the Salvus Center, Inc. (the "Center"). The Center is chartered and incorporated under the laws of Tennessee as a nonprofit corporation. The Center opened its first health care clinic in Gallatin, Tennessee in March 2006 for residents of the county who work but do not have health insurance. A second health care clinic was opened in July 2008 in Hendersonville, Tennessee. Patients are seen, treated and pay fees according to a sliding scale. Contributions received from foundations, faith communities, individuals and businesses located in the Middle Tennessee region and government grants are the Center's primary sources of support.

B. Basis of Accounting

The accompanying financial statements have been prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under the modified cash basis of accounting, revenues are recognized when collected and expenses are recognized when paid. The donated use of facilities, donated professional services and property and equipment purchased and received as contributions are recognized in these financial statements.

C. Financial Statement Presentation

The net assets of the Center and changes therein are classified and reported as follows:

Unrestricted Net Assets - Net assets that are not subject to donor-imposed restrictions.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed restrictions that may or will be met, either by actions of the Organization and/or the passage of time.

D. Estimates

The accompanying financial statements contain estimates and assumptions by management that affects certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

E. Cash and Cash Equivalents

For purposes of the statement of cash flows, cash includes bank demand deposit accounts, money market accounts, certificates of deposit and cash on hand. The Center had no cash equivalents for the years ended June 30, 2011 and 2010.

SALVUS CENTER, INC.
Notes to Financial Statements - Continued
Years Ended June 30, 2011 and 2010

Note 1. Summary of Significant Accounting Policies - Continued

F. Fair Value Measurements

Assets and liabilities measured at fair value are recorded in accordance with FASB ASC 820-10, which clarifies that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, FASB ASC 820-10 establishes a three-tier value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

Level 1 Inputs – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets and liabilities.

Level 2 Inputs – Inputs other than quoted prices in active markets that are observable either directly or indirectly.

Level 3 Inputs – Unobservable inputs in which there is little or no market data, which requires management to develop their assumptions.

The Center's financial instruments consist of cash at June 30, 2011 and 2010. The recorded value of cash approximates fair value based on their short-term nature using Level 1 inputs.

G. Property and Equipment

The Center capitalizes property and equipment acquisitions in excess of \$1,000 with an estimated useful life in excess of one year. Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Property and equipment are depreciated using the 200% declining balance method over their estimated useful lives, which range from 5 to 7 years. The building is depreciated using the straight line method over the estimated useful life of 40 years. Software is amortized using the straight-line method over their estimated useful lives of 3 years. Leasehold improvements are depreciated over the lease term of 39 months for the Hendersonville clinic.

H. Impairment of Long-Lived Assets

Management evaluates its long-lived assets for financial impairment whenever events or changes in circumstances indicate the carrying value of an asset may not be recoverable. An impairment loss is recognized when the estimated undiscounted future cash flows from the assets are less than the carrying value of the assets. Assets to be disposed of are reported at the lower of their carrying amount or fair value, less cost to sell. Management is of the opinion that the carrying amount of its long-lived assets does not exceed their estimated recoverable amount.

SALVUS CENTER, INC.
Notes to Financial Statements - Continued
Years Ended June 30, 2011 and 2010

Note 1. Summary of Significant Accounting Policies - Continued

I. Advertising

The Center expenses advertising costs as they are incurred. Advertising expenses are \$2,139 and \$0 for the years ended June 30, 2011 and 2010, respectively.

J. Functional Expenses

The costs of providing the program and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program, supporting services benefited and fundraising efforts by the Center.

K. Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. If a restriction is fulfilled in the same time period in which the contribution is received, the organization reports the support as unrestricted. Otherwise, when a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of support, revenue, expenses and changes in net assets – modified cash basis as net assets released from restrictions.

L. Contributed Services

Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received. Volunteers also provide program and fundraising services throughout the year that are not recognized as contributions in the financial statements since the recognition criteria were not met.

M. Income Taxes

The Center is a nonprofit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes.

The Center's Forms 990, *Return of Organization Exempt from Income Tax*, for the years ended 2009, 2010 and 2011 are subject to examination by the IRS, generally three years after they were filed.

Note 2. Property and Equipment

Depreciation and amortization expense for the years ended June 30, 2011 and 2010 are \$32,475 and \$26,410, respectively. Donated property and equipment for the years ended June 30, 2011 and 2010 are \$633 and \$171,772, respectively.

SALVUS CENTER, INC.
Notes to Financial Statements - Continued
Years Ended June 30, 2011 and 2010

Note 3. Line of Credit

The Center has an agreement with a bank for a line of credit. The total amount of the line available to the Center is \$150,000 with an interest rate of 4.5%. There were no draws on the line of credit for the years ended June 30, 2011 and 2010. The Deed of Trust on the property located at 556 Hartsville Pike, Gallatin, Tennessee is the collateral for the line of credit. The maturity date of the line of credit is February 25, 2012.

Note 4. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following at June 30, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Restricted for computer and software	<u>\$ 3,329</u>	<u>\$ 3,329</u>

Temporarily restricted net assets were released from donor restrictions for the years ended June 30, 2011 and 2010 as follows:

	<u>2011</u>	<u>2010</u>
Use restriction met	<u>\$ -</u>	<u>\$ 671</u>

Note 5. Donated Services and Assets

The value of donated services and assets included in the financial statements and the corresponding expenditure or asset capitalization for the years ended June 30, 2011 and 2010 are as follows:

	<u>2011</u>	<u>2010</u>
Public Support and Revenues		
Donated services	\$ 4,060	\$ 2,632
Donated property and equipment	633	171,772
Donated use of facilities	2,694	2,694
Totals	<u>\$ 7,387</u>	<u>\$ 177,098</u>
Expenses		
Rent expense	\$ 2,694	\$ 2,694
Professional fees	4,060	2,632
Total expenses	<u>\$ 6,754</u>	<u>\$ 5,326</u>
Assets		
Building and improvements	<u>\$ 633</u>	<u>\$ 171,772</u>

In addition, many individuals volunteer their time and perform a variety of tasks that assist the Center with specific programs and fundraising. No amounts have been reflected in the financial statements for these donated services since volunteers' time does not meet the criteria for recognition.

SALVUS CENTER, INC.
Notes to Financial Statements - Continued
Years Ended June 30, 2011 and 2010

Note 6. Related Party Transactions

The Center receives in-kind and cash contributions from Board members. It is not cost beneficial to identify the total amounts of these transactions.

The Center leased the clinic in Gallatin, Tennessee as a sublease as discussed in Note 9 until February 22, 2010. An equity owner of the building that is leased to Sumner Regional Health Systems is also an employee and board member of the Center. The building was purchased on February 22, 2010 for a total cash price of \$451,783. The fair value of the property on the date of purchase was estimated to be \$620,000. Donated property and equipment are recognized in the accompanying financial statements in the amount of \$171,722 for the year ended June 30, 2010. The donated amount includes donated closing costs in the amount of \$3,505.

Note 7. Operating Lease Commitments

The Center had an operating sublease for its Gallatin clinic with Sumner Regional Health Systems, Inc. The clinic is located at 556 Hartsville Pike, Suite #200, in Gallatin, Tennessee. The leased space consists of 2,045 rentable square feet. The lease was dated February 17, 2006 with a lease term beginning on March 1, 2006 and ending on January 31, 2010. An amendment to the sublease was entered into on February 1, 2009. The new term of the lease begins on March 1, 2009 and ends on January 31, 2010. The Center had negotiated the lease for annual payments of \$0 on the original lease. The fair market value of the office space is a base of \$19.16 per square foot for the first three years of the lease with the amount increasing to \$20.17 the fourth year. The fair market value of the office space also includes amounts for common area maintenance, insurance and taxes at \$3.03 per square foot for the first year and this amount will be adjusted in subsequent years. This amount did increase to \$3.12 per square foot effective March 1, 2007 and to \$3.21 per square foot effective March 1, 2008. The fair market value of the donated rent for the years ended June 30, 2010 and 2009 are \$0 and \$30,406, respectively. These amounts have been recognized in the accompanying financial statements as donated use of facilities and rent expense. The lease payments on the amended sublease are payable in monthly payments of \$3,268 which includes taxes and insurance. The total rent paid for the years ended June 30, 2011 and 2010 on the amended sublease was \$0 and \$22,874, respectively. The Center purchased the building on February 22, 2010.

The Center has an operating sublease for its Hendersonville clinic with Andrew S. Boskind. The lease was dated April 10, 2008 with a lease term beginning on May 15, 2008 and ending on January 15, 2009. The Hendersonville clinic is located at 107 Imperial Boulevard, Suite #3, Hendersonville, Tennessee. The leased space consists of 2,020 rentable square feet. The Center has negotiated the lease for monthly payments of \$2,694. A new lease agreement was entered into on January 23, 2009 with JBE, LLC for the Hendersonville clinic. The term of the lease is thirty nine months beginning on January 15, 2009 and ending on April 14, 2012. There is no rent due for the first, fourteenth and twenty seventh months. The total rent expense paid during the years ended June 30, 2011 and 2010 is \$29,634 and \$29,634, respectively for the Hendersonville clinic. The fourteenth and twenty seventh months of the lease dated January 23, 2009 were recorded in the accompanying financial statements as donated use of facilities and

SALVUS CENTER, INC.
Notes to Financial Statements - Continued
Years Ended June 30, 2011 and 2010

Note 7. Operating Lease Commitments - Continued

rent expense in the amounts of \$2,694 and \$2,694 for the years ended June 30, 2011 and 2010, respectively.

There is \$24,246 due in future minimum lease payments on the Hendersonville lease dated January 23, 2009 for the year ended June 30, 2012.

Note 8. Concentrations

The Center received approximately 60% and 58% of its total support and revenues from donors who contributed cash, in-kind property and professional services for the years ended June 30, 2011 and 2010, respectively. During the year ended June 30, 2011, there were four donors that contributed 68% of the cash and donated contributions. During the year ended June 30, 2010, there were three donors that contributed 60% of the cash contributions.

Government grants and reimbursements accounted for 12% and 12% of the total support and revenues for the years ended June 30, 2011 and 2010, respectively.

Note 9. Subsequent Event

The Center has contacted a construction firm to provide renovations to its building located in Gallatin, Tennessee. No formal contract has been entered into as of January 26, 2012. The estimated budget for the renovation is \$60,000.

Note 10 Management's Review

The Organization has evaluated events and transactions for subsequent events that would impact the financial statements for the year ended June 30, 2011 through January 26, 2012, the date the financial statements were available to be issued.