

**SALVUS CENTER, INC.**  
**AUDITED FINANCIAL STATEMENTS**  
**JUNE 30, 2013 and 2012**

## TABLE OF CONTENTS

Independent Auditor's Report	2-3
Statement of Assets, Liabilities and Net Assets – Modified Cash Basis	4
Statement of Support, Revenue, Expenses and Changes in Net Assets - Modified Cash Basis	5-6
Statement of Functional Expenses – Modified Cash Basis	7-8
Statement of Cash Flow – Modified Cash Basis	9
Notes to Financial Statements	10-14

# *McMurray* & Associates

CERTIFIED PUBLIC ACCOUNTANTS

641 East Main Street  
Hendersonville, TN 37075  
(615) 824-2724  
Fax (615) 822-3522

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Salvus Center, Inc.

We have audited the accompanying financial statements of Salvus Center, Inc. (a nonprofit organization) which comprise the statement of assets, liabilities, and net assets – modified cash basis as of June 30, 2013, and the related statements of support, revenue, and expenses – modified cash basis and functional expenses – modified cash basis and cash flow – modified cash basis for the year then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting as described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and net assets of Salvus Center, Inc. as of June 30, 2013, and its support, revenue and expenses, functional expenses and cash flow for the year then ended in accordance with the modified cash basis of accounting as described in Note 1.

### **Other Matters**

The 2012 financial statements of Salvus Center, Inc., were audited by other accountants, whose report dated November 29, 2012, stated that based on their procedures, the financial statements are presented fairly in all material respects as of June 30, 2012 on the modified cash basis of accounting.

***McMurray & Associates***

McMurray & Associates, CPAs  
Hendersonville, Tennessee  
February 4, 2014

**SALVUS CENTER, INC.**  
**STATEMENT OF ASSETS, LIABILITIES AND NET ASSETS - MODIFIED CASH BASIS**  
**AS OF JUNE 30, 2013 and 2012**

	<u>2013</u>	<u>2012</u>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents, restricted cash of \$13,000	\$ 102,071	\$ 198,813
Accounts receivable	61	-
Prepaid assets	2,994	-
Total current assets	<u>105,126</u>	<u>198,813</u>
Fixed assets		
Construction in progress	-	38,984
Land	277,979	277,979
Building	425,732	300,792
Leasehold improvements	13,476	13,476
Medical office equipment, furniture & fixtures	125,882	103,195
Software	34,051	18,301
	<u>877,120</u>	<u>752,727</u>
Less: accumulated depreciation	<u>(151,602)</u>	<u>(121,401)</u>
Net property and equipment	725,519	631,326
 Total assets	 <u>\$ 830,645</u>	 <u>\$ 830,139</u>

**LIABILITIES AND NET ASSETS**

Current liabilities		
Accrued liabilities	\$ 1,188	\$ 1,263
Current portion of notes payable	35,667	-
Total current liabilities	<u>36,855</u>	<u>1,263</u>
Notes payable	105,751	-
Total liabilities	<u>142,605</u>	<u>1,263</u>
Net assets		
Unrestricted	675,040	825,547
Temporarily restricted	13,000	3,329
Total net assets	<u>688,040</u>	<u>828,876</u>
 Total liabilities and net assets	 <u>\$ 830,645</u>	 <u>\$ 830,139</u>

See independent auditor's report and notes to financial statements.

**SALVUS CENTER, INC.**  
**STATEMENT OF SUPPORT, REVENUE, EXPENSES AND CHANGES IN NET ASSETS**  
**-MODIFIED CASH BASIS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues			
Non-government grant/donations	\$ 226,414	\$ 13,000	\$ 239,414
Government grants	124,619	-	124,619
Patient fees	116,094	-	116,094
Contract service fees	87,993	-	87,993
Individual/business contributions	76,640	-	76,640
In-kind donations	57,372	-	57,372
Fundraisers	34,539	-	34,539
Interest	1,151	-	1,151
Other	715	-	715
Net assets moved	3,329	(3,329)	-
from temporarily restricted			
Total revenues	728,865	9,671	738,536
Expenses			
Program services	\$ 702,893	\$ -	\$ 702,893
Total program services	702,893	-	702,893
Supporting services			
Management and general	\$ 107,798	\$ -	\$ 107,798
Fundraising	68,682	-	68,682
Total supporting services	176,480	-	176,480
Total expenses	\$ 879,373	\$ -	\$ 879,373
Increase (decrease) in net assets	(150,508)	9,671	(140,837)
Net assets at beginning of year	825,547	3,329	828,876
Net assets at end of year	\$ 675,040	\$ 13,000	\$ 688,040

See independent auditor's report and notes to financial statements.

**SALVUS CENTER, INC.**  
**STATEMENT OF SUPPORT, REVENUE, EXPENSES, AND CHANGES IN NET ASSETS**  
**- MODIFIED CASH BASIS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues			
Non-government grant/donations	\$ 230,137	\$ -	\$ 230,137
Government grants	109,621	-	109,621
Patient fees	118,470	-	118,470
Contract service fees	104,646	-	104,646
Individual/business contributions	59,385	-	59,385
In-kind donations	15,905	-	15,905
Fundraisers	53,320	-	53,320
Interest	1,884	-	1,884
Other	905	-	905
Net assets moved	-	-	-
from temporarily restricted			
Total revenues	694,273	-	694,273
Expenses			
Program services	\$ 562,692	\$ -	\$ 562,692
Total program services	562,692	-	562,692
Supporting services			
Management and general	\$ 77,763	\$ -	\$ 77,763
Fundraising	67,548	-	67,548
Total supporting services	145,311	-	145,311
Total expenses	\$ 708,003	\$ -	\$ 708,003
Increase (decrease) in net assets	(13,730)	-	(13,730)
Net assets at beginning of year	839,277	3,329	842,606
Net assets at end of year	\$ 825,547	\$ 3,329	\$ 828,876

See independent auditor's report and notes to financial statements

**SALVUS CENTER, INC.**  
**STATEMENT OF FUNCTION EXPENSES - MODIFIED CASH**  
**FOR THE YEAR ENDED JUNE 30, 2013**

	Program Service	Management and General	Fundraising	Total
Salaries	\$ 350,425	\$ 32,469	\$ 8,117	\$ 391,012
Employee benefits	21,044	9,762	1,326	32,132
Payroll taxes	27,959	2,548	636	31,143
Total personnel cost	399,429	44,778	10,080	454,287
Building Operations:				
Building rent	\$ 30,832	\$ 2	\$ -	\$ 30,834
Building maintenance & repairs	8,560	1,265	-	9,825
Utilities	9,334	157	-	9,491
General operations:				
Advertising	407	1,629	-	2,035
Bank charges	178	236	297	711
Dues & registration fees	209	795	-	1,004
Insurance	4,540	1,965	-	6,505
Interest	3,672	1,147	-	4,819
Legal & accounting fees	-	5,500	-	5,500
Licenses & permits	900	300	-	1,200
Meals & entertainment	136	1,051	-	1,187
Office expense	723	2,299	-	3,022
Professional services	26,015	-	-	26,015
Postage	1,807	729	775	3,310
Staff development & recruiting	875	20,449	-	21,324
Supplies	7,685	218	27	7,930
Technical support	6,802	2,882	-	9,683
Telecommunications	10,496	1,581	-	12,076
Total operations	113,168	42,204	1,098	156,471
Program:				
Contract service expense	\$ 81,130	\$ -	\$ -	\$ 81,130
Dental supplies	2,968	-	-	2,968
Medical supplies	12,228	-	-	12,228
Malpractice insurance	18,671	-	-	18,671
Medical waste disposal	1,442	-	-	1,442
Patient drug assistance	345	-	-	345
Patient assistance	17,111	-	-	17,111
Total program services	133,894	-	-	133,894
Fundraisers:				
Fundraising consultant	\$ -	\$ -	\$ 47,056	\$ 47,056
Fundraising event	-	-	9,843	9,843
Total fundraising expense	-	-	56,900	56,900
Total expenses before depr & in-kind	\$ 646,491	\$ 86,983	\$ 68,078	\$ 801,551
In-kind expenses	41,906	5,715	-	47,621
Depreciation	14,496	15,100	604	30,201
Total expenses	\$ 702,893	\$ 107,798	\$ 68,682	\$ 879,373

See independent auditor's report and notes to financial statements.



**SALVUS CENTER, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES - MODIFIED CASH BASIS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

	Program Service	Management and General	Fundraising	Total
Salaries	\$ 281,734	\$ 31,500	\$ 7,875	\$ 321,109
Employee benefits	14,161	4,979	2,286	21,426
Payroll taxes	24,273	2,077	519	26,869
Total personnel cost	320,168	38,556	10,680	369,404
Building Operations:				
Building rent	\$ 34,029	\$ -	\$ -	\$ 34,029
Building maintenance & repairs	2,278	-	-	2,278
Pest control	270	-	-	270
Janitorial services	4,850	1,530	340	6,720
Utilities	7,563	-	-	7,563
General operations:				
Advertising	200	911	1,323	2,434
Dues & registration fees	187	885	-	1,072
Insurance	14,560	3,836	-	18,396
Licenses & permits	785	325	-	1,110
Loss on disposal of assets	-	287	-	287
Meals & entertainment	99	2,204	-	2,303
Miscellaneous	1,917	298	200	2,415
Payroll processing	-	1,299	-	1,299
Professional services	22,143	7,300	-	29,443
Postage	1,138	238	1,048	2,424
Printing	1,750	1,786	234	3,770
Staff development & recruiting	677	2,900	8	3,585
Supplies	6,126	604	81	6,811
Technical support	5,310	149	-	5,459
Telecommunications	6,311	2,448	-	8,759
Total operations	110,193	27,000	3,234	140,427
Program:				
Contract service expense	\$ 91,392	\$ -	\$ -	\$ 91,392
Medical & dental supplies	7,717	-	-	7,717
Medical waste disposal	1,187	-	-	1,187
Patient assistance	20,402	-	-	20,402
Total program services	120,698	-	-	120,698
Fundraisers:				
Fundraising consultant	\$ -	\$ -	\$ 33,000	\$ 33,000
Fundraising event	-	-	20,303	20,303
Total fundraising expense	-	-	53,303	53,303
Total expenses before depreciation	\$ 551,059	\$ 65,556	\$ 67,217	\$ 683,832
Depreciation	11,633	12,207	331	24,171
Total expenses	\$ 562,692	\$ 77,763	\$ 67,548	\$ 708,003

See independent auditor's report and notes to financial statements

**SALVUS CENTER, INC.**  
**STATEMENT OF CASH FLOW**  
**-MODIFIED CASH BASIS**  
**FOR THE YEARS ENDED JUNE 30, 2013 and 2012**

	2013	2012
<u>Cash Flows From Operating Activities</u>		
(Decrease) in net assets	\$ (140,837)	\$ (13,730)
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Change in assets and liabilities:		
Depreciation expense	30,201	24,171
Loss on disposal of assets	-	287
(Increase) in accounts receivable	(61)	-
(Increase) in prepaid expenses	(2,994)	-
Contributions of property & equipment	(9,750)	(12,026)
Decrease in property tax receivable	-	4,667
Decrease in payroll withholding	-	1,045
(Increase) in accrued liabilities	(75)	-
Total adjustments	<u>17,321</u>	<u>18,144</u>
Net cash (used)/provided in operating activities	(123,516)	4,414
<u>Cash Flows from Investing Activities</u>		
Purchase of fixed assets	<u>(114,644)</u>	<u>(38,482)</u>
Net cash used in investing activities	(114,644)	(38,482)
<u>Cash Flows from Financing Activities</u>		
Payments toward notes payable	(24,332)	-
Proceeds from notes payable	<u>165,750</u>	<u>-</u>
Net cash provided by financing activities	141,418	-
Net decrease in cash and cash equivalents	<u>(96,742)</u>	<u>(34,068)</u>
Cash and cash equivalents, June 30, 2012	<u>198,813</u>	<u>232,881</u>
Cash and cash equivalents, June 30, 2013	<u><u>\$ 102,071</u></u>	<u><u>\$ 198,813</u></u>

See independent auditor's report and notes to financial statements.

**SALVUS CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013 and 2012**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A. 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 Center, 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. Basis of Presentation

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed stipulations. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Accordingly, net assets of Salvus Center, Inc. and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Center's and/or the passage of time. Restrictions that are fulfilled in the same accounting period in which the funds are received are reported in the statement of activities as unrestricted. Otherwise, when a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported as net assets released from restrictions. The Center has temporarily restricted net assets at June 30, 2013 in the amount of \$13,000.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Center. Salvus Center, Inc. has no permanently restricted net assets at June 30, 2013.

See independent auditor's report and notes to financial statements.

**SALVUS CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013 and 2012**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

D. Use of Estimates

The preparation of financial statements in conformity with the modified cash receipts and disbursements basis of accounting requires the Center to make estimates and assumptions that affect certain reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

E. Cash and Cash Equivalents

Cash and cash equivalents include all monies in banks and highly liquid investments with maturity dates of less than three months. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

F. Accounts Receivable

Accounts receivable results primarily from overpayment of vendor invoices. Accounts receivable are based on managements' evaluation of outstanding receivables at year end. Allowance for doubtful accounts, if any, is provided based on the review of outstanding receivables, historical experience, and economic conditions. Uncollectible accounts are expensed in the period such amounts are determined. At year end, no allowance has been reserved for accounts receivable.

G. Property and Equipment

Property and equipment are recorded at cost or, if donated, at the estimated fair market value at the date of donation. Property and equipment (including software) are depreciated using the straight-line method over the life of the asset, between 3 to 5 years. The building is depreciated using the straight-line method over the estimated useful life of thirty-nine years. Leasehold improvements in Gallatin are depreciated over the life of the building of thirty-nine years. Depreciation expense for the years ended June 30, 2013 and 2012 is \$30,201 and \$24,171, respectively. Repair and maintenance costs are expensed as incurred.

H. Contributed Services

Contributed services are reflected in the financial statements at the fair value of the services received only when those services either (a) create or enhance nonfinancial assets, or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. 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.

I. Program Services

Program services include events or activities in which the Center provides care to working uninsured residents of Sumner County.

See independent auditor's report and notes to financial statements.

**SALVUS CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013 and 2012**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

J. Advertising Costs

Advertising costs are expensed as incurred. Total advertising cost for the year ended June 30, 2013 and 2012 is \$2,035 and \$2,434, respectively.

K. Income Taxes

The Center is a not-for-profit organization that is exempt from income taxes under section 501(c)(3) of the Internal Revenue Code.

The Center's Form 990, Return of Organization Exempt from Income Tax, for the years ended 2013, 2012 and 2011 are subject to examination by the IRS, generally three years after they are filed.

L. Reclassifications

Certain reclassifications have been made to the financial statements as of and for the year ended June 30, 2012 to conform to the 2013 presentation.

**NOTE 2 – NOTES PAYABLE**

The Center executed a term note with Sumner Bank and Trust dated October 17, 2012, to finance the renovations of its Gallatin clinic. At June 30, 2013, the balance is \$129,605 payable in fifty-two monthly installments (including principle and interest) of \$2,794 due October 2017, accruing interest at 4.5%. The Deed of Trust on the property located at 556 Hartsville Pike, Gallatin, Tennessee is collateral for the note.

The Center maintains a line of credit with Sumner Bank and Trust in the amount of \$150,000, with interest at 4.5%. There were no draws on the line of credit for the years ending June 30, 2013 and 2012. The Deed of Trust on the property located at 556 Hartsville Pike, Gallatin, Tennessee is collateral for the line of credit. The maturity date of the line of credit is February 25, 2014.

The Center entered into a purchase agreement dated January 15, 2013 with eClinical Works for the purchase and installation of Electronic Medical Records and Practice Management software. At June 30, 2013, the balance was \$11,813, payable in eighteen monthly installments of \$656 due January 2015.

See independent auditor's report and notes to financial statements.

**SALVUS CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013 and 2012**

**NOTE 3 – TEMPORARILY RESTRICTED ASSETS**

Temporarily restricted net assets are available for the following at June 30:

	2013	2012
Dental imaging equipment	\$5,000	\$0
Mammogram Assist Underserved Women	8,000	0
Computer & software	0	3,329
Temporarily restricted	\$13,000	\$3,329

**NOTE 4 – 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:

	2013	2012
<b>Public support and revenues</b>		
Donated services	\$44,432	\$3,879
Donated property & equipment	9,750	12,026
Donated use of facilities	2,694	0
Donated medical equipment	496	0
<b>Total public support and revenues</b>	<u>\$57,372</u>	<u>\$15,905</u>
<b>Expenditures</b>		
Website maintenance	\$350	\$0
Rent expense	2,694	200
Medical supplies	497	0
Printing	104	104
Recruiting fees	6,000	0
Professional fees – accounting	2,500	2,500
Professional fees – dental	22,800	0
Technical support	12,677	850
Special events	0	225
<b>Total expenditures</b>	<u>\$47,622</u>	<u>\$3,879</u>
<b>Assets</b>		
Construction in progress	\$0	\$5,000
Medical & office equipment	0	7,026
Computer hardware	9,750	0
<b>Total assets</b>	<u>\$9,750</u>	<u>\$12,026</u>
	<u>\$57,372</u>	<u>\$15,905</u>

See independent auditor's report and notes to financial statements.

**SALVUS CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013 and 2012**

**NOTE 5 – 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.

**NOTE 6- OPERATING LEASE COMMITMENT**

The Center has an operating lease for its Hendersonville clinic with JBE, LLC. The original lease signed in 2009 expired April 14, 2012 and was extended until November 30, 2013. The Hendersonville clinic is located at 107 Imperial Boulevard, Ste. #3, Hendersonville, Tennessee. The leased space consists of 2,020 rentable square feet. The lease requires monthly payments of \$2,694 for a total rent expense of \$32,328 for each year ended June 30, 2013 and 2012. Donated use of facilities and rent expense is \$2,694 for each year ended June 30, 2013 and 2012. Future minimal lease payments in less than one year are \$13,470.

The Center entered into a cooperative agreement with the Sumner County Health Department, for the use of dental space and equipment. The agreement was entered into September 28, 2012 for a term of one year, with automatic renewal each year unless ended by either party with a 60 day notice. The space is 1,000 square feet and is used one day per week. The fair value of rent expense is considered immaterial and is not included in the accompanying financial statements.

**NOTE 7 – CONCENTRATIONS**

The Center received approximately 54% and 43% of its total support and revenues from donors who contributed cash, in-kind and professional services for the years ended June 30, 2013 and 2012, respectively. During the year ended June 30, 2013, there were four donors that contributed 20% of the cash and donated contributions. During the year ended June 30, 2012, there were four donors that contributed 23% of the cash and donated contributions.

Government grants and reimbursements accounted for 17% and 16% of the total support and revenues for the years ended June 30, 2013 and 2012, respectively.

**NOTE 8 – SUBSEQUENT EVENTS**

Salvus Center, Inc. has evaluated events and transactions for subsequent events that would impact the financial statements for the year ended June 30, 2013 through February 4, 2014, the date the financial statements were available to be issued. There were no subsequent events that require recognition in the financial statements.

See independent auditor's report and notes to financial statements.