

**RUTHERFORD COUNTY PRIMARY
CARE CLINIC, INC.
d/b/a PRIMARY CARE AND HOPE CLINIC**
Financial Statements

June 30, 2013 and 2012

(With Independent Auditor's Report Thereon)

RUTHERFORD COUNTY PRIMARY CARE CLINIC, INC.

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TERRY L. HORNE, CPA

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Independent Auditor's Report

The Governing Board
Rutherford County Primary Care Clinic, Inc.
d/b/a/ Primary Care and Hope Clinic

We have audited the accompanying statement of financial position of Rutherford County Primary Care Clinic, Inc. (the Organization) as of June 30, 2013 and 2012, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of Rutherford County Primary Care Clinic, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. 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 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. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Rutherford County Primary Care Clinic, Inc. as of June 30, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated September 13, 2013 on our consideration of Rutherford County Primary Care Clinic, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

A handwritten signature in dark ink that reads "Terry L. Horne CPA".

September 13, 2013

RUTHERFORD COUNTY PRIMARY CARE CLINIC, INC.

Statement of Financial Position

June 30, 2013 and 2012

ASSETS

	<u>2013</u>	<u>2012</u>
<i>Current Assets</i>		
Cash	\$ 1,025,461	\$ 399,229
Accounts Receivable Net (Note 4)	55,242	61,093
Grants and Contracts Receivable (Note 5)	378,751	171,885
Inventory	-	23,101
Prepaid Expenses	22,104	23,904
<i>Total Current Assets</i>	<u>1,481,558</u>	<u>679,212</u>
<i>Property and Equipment</i>		
Property and Equipment, at Cost,		
Net of Accumulated Depreciation (Note 6)	<u>4,893,794</u>	<u>5,021,169</u>
<i>Total Property and Equipment</i>	<u>4,893,794</u>	<u>5,021,169</u>
 Total Assets	 <u>\$ 6,375,352</u>	 <u>\$ 5,700,381</u>

LIABILITIES AND NET ASSETS

<i>Current Liabilities</i>		
Accounts Payable	\$ 21,231	\$ 46,305
Accrued Compensated Absences	99,250	92,216
Accrued Wages	68,486	61,022
Payroll Liabilities	4,871	4,668
<i>Total Current Liabilities</i>	<u>193,838</u>	<u>204,211</u>
 Total Liabilities	 <u>193,838</u>	 <u>204,211</u>
 Net Assets - Unrestricted	 <u>6,181,514</u>	 <u>5,496,170</u>
Total Net Assets	<u>6,181,514</u>	<u>5,496,170</u>
 Total Liabilities and Net Assets	 <u>\$ 6,375,352</u>	 <u>\$ 5,700,381</u>

The accompanying notes are an integral part of this financial statement.

RUTHERFORD COUNTY PRIMARY CARE CLINIC, INC.

Statement of Activities

For The Years Ended June 30, 2013 and 2012

Support and Revenues:

	<u>2013</u>	<u>2012</u>
Net Patient Revenue (Note 9)	\$ 1,280,651	\$ 962,529
Public Support - U.S. Department of Health and Human Services Operational Grant (Note 7)	704,167	
Other Grants and Contracts (Note 8)	514,161	560,888
PPS and Safety Net Revenue	722,461	646,852
Contributions	405,062	695,998
Rent and Other Revenue	21,372	27,596
<i>Total Support and Revenues</i>	3,647,874	2,893,863

Expenses:

Program Services Expenses	1,805,523	1,808,322
General and Administrative Expenses	1,138,385	1,004,033
Fundraising	18,622	31,321
<i>Total Expenses</i>	2,962,530	2,843,676

**Excess (Deficiency) of Support and Revenues
Over Expenses from Operations**

685,344	50,187
----------------	---------------

Net Assets:

Beginning of Year	\$5,496,170	\$5,445,983
Change in Unrestricted Net Assets	685,344	50,187
End of Year	<u>\$6,181,514</u>	<u>\$5,496,170</u>

The accompanying notes are an integral part of this financial statement.

RUTHERFORD COUNTY PRIMARY CARE CLINIC, INC.Statement of Functional Expenses
For The Years Ended June 30, 2013 and 2012

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>2013 Total</u>	<u>2012 Total</u>
Personnel	\$ 923,792	\$ 694,199	\$ 3,481	\$ 1,621,472	\$ 1,369,825
Fringe Benefits	149,819	113,022	-	262,841	230,444
Contractual Services	108,047	141,471	-	249,518	236,838
Supplies	353,159	22,927	15,141	391,227	580,855
Travel and Training	16,822	11,775	-	28,597	26,418
Insurance	11,849	15,409	-	27,258	25,777
Communications, Telephone and Postage	20,876	6,959	-	27,835	23,456
Equipment Rent	-	3,346	-	3,346	1,785
Building Rent	36,111	-	-	36,111	12,240
Utilities	62,867	20,956	-	83,822	91,283
Depreciation	105,636	89,244	-	194,880	197,700
Maintenance and Repairs	16,545	5,597	-	22,142	34,274
Dues, Printing and Other	-	13,481	-	13,481	12,781
Total	<u>\$ 1,805,523</u>	<u>\$ 1,138,385</u>	<u>\$ 18,622</u>	<u>\$ 2,962,530</u>	<u>\$ 2,843,676</u>

The accompanying notes are an integral part of this financial statement.

RUTHERFORD COUNTY PRIMARY CARE CLINIC, INC.

Statement of Cash Flows

For The Years Ended June 30, 2013 and 2012

Cash Flows from Operating Activities:

	<u>2013</u>	<u>2012</u>
Excess (Deficiency) of Support and Revenues Over Expenses from Operations	\$ 685,344	\$ 50,187
Adjustments to Reconcile Net Income to Cash Provided from Operations:		
Depreciation	194,880	197,700
(Increase) Decrease in Accounts Receivable	5,851	(7,469)
(Increase) Decrease in Other Receivables	(206,866)	22,626
(Increase) Decrease in Inventory	23,101	(11,346)
(Increase) Decrease in Prepaid Items	1,800	(7,736)
Increase (Decrease) in Accounts Payable	(25,076)	40,184
Increase (Decrease) in Accrued Payroll Liabilities	203	4,668
Increase (Decrease) in Accrued Wages	7,464	(18,697)
Increase (Decrease) in Accrued Compensated Absences	7,034	1,077
Net Cash Provided by Operating Activities:	<u>693,735</u>	<u>271,194</u>

Cash Flows Used in Investing Activities

Purchases of Property, Plant and Equipment	(67,503)	(62,236)
Cash Used in Investing Activities	<u>(67,503)</u>	<u>(62,236)</u>

Cash Flows Provided by Financing Activities:

Increase (Decrease) in Line of Credit	-	-
Cash Provided in Financing Activities	<u>-</u>	<u>-</u>
Net Increase (Decrease) in Cash	<u>626,232</u>	<u>208,958</u>
Cash at Beginning of The Year	399,229	190,271
Cash at End of The Year	<u><u>\$ 1,025,461</u></u>	<u><u>\$ 399,229</u></u>

The accompanying notes are an integral part of this financial statement.

RUTHERFORD COUNTY PRIMARY CARE CLINIC, INC.

Notes to Financial Statements

June 30, 2013 and 2012

(1) Summary of Significant Accounting Policies

The financial statements of Rutherford County Primary Care Clinic, Inc. (the Organization) have been prepared on accrual basis. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

(a) Nature of The Business

Rutherford County Primary Care Clinic, Inc. is a not-for-profit corporation organized under the laws of the State of Tennessee doing business as Primary Care and Hope Clinic. The Organization provides outpatient health care services. Funding is obtained from various grants and contracts, and reimbursements from Medicare, Medicaid, private insurance, and payments from patients.

(b) Financial Statement Presentation

The Organization presents its financial statements in accordance with Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations* as promulgated by the Financial Accounting Standards Board. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, as required by SFAS No. 117, the Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

(c) Cash and Cash Equivalents

Cash and cash equivalents consist of cash held in checking and money market accounts and certificates of deposit with maturities of 90 days or less.

(d) Accounts Receivable

Included in patient receivables are amounts due from Medicare and Medicaid agencies. These payments are generally less than established billing rates, the difference being charged against revenue as revenue adjustments at the time the fee for service is recorded. Amounts from these agencies are determined under cost reimbursement formulas and redetermination by the agencies. Accounts receivables from patient fees, other than the above, may be reduced using a sliding fee scale due to a patient's inability to pay. These adjustments are based on income level and number of family members applied to the Federal poverty guidelines.

(e) Allowance for Uncollectible Receivables

The provision for uncollectible receivables is not recorded as an expense, but is treated as a reduction of the related revenue in the statement of activities. Based on computations within industry standards applied to test the reserve for uncollectible patient accounts, the estimates appear reasonable.

RUTHERFORD COUNTY PRIMARY CARE CLINIC, INC.

Notes to Financial Statements

June 30, 2013 and 2012

(f) Property and Equipment

Property and equipment acquired with DHHS funds are considered to be owned by the Organization while used in the program or in future authorized programs. However, DHHS retains a reversionary interest in these assets as well as the right to determine the use of any proceeds from the sale of such assets. Accordingly, the Organization may not transfer, mortgage, assign, lease or in any other manner encumber certain property items without the prior approval of DHHS.

Property and equipment are depreciated on the straight-line method over estimated useful lives of the assets.

(g) Recognition of Grant Income

Grant income is recognized over the grant period in relation to the expenditures incurred and services provided, as outlined in the grant documents. Cash received in excess of grant expenditures to date is recorded as deferred revenue, and an account receivable is recorded when allowable expenditures exceed cash received.

(h) Patient Service Revenue

Patient service revenue is recorded at amounts that the Organization anticipates collecting from Medicare, Medicaid, insurance, or individuals less a provision for uncollectible accounts. The rates charged individuals are determined by an income discount scale, which is based on the Federal poverty level guidelines.

(i) Contributions

In accordance with SFAS No. 116, *Accounting for Contributions Received and Contributions Made*, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. All 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 temporarily restricted or permanently restricted support that increases those net asset classes. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities. Contributed property and equipment is recorded at fair value at the date of donation.

(j) Income Taxes

The Organization is a non-profit corporation as described in Section 501c (3) of the Internal Revenue Code and is exempt from Federal income taxes on related income pursuant to Section 501 (1) of the Code. As of the date of this report the current and two most recent prior years are available for IRS audit.

RUTHERFORD COUNTY PRIMARY CARE CLINIC, INC.

Notes to Financial Statements

June 30, 2013 and 2012

(2) Fair Value of Financial Instruments

- A. Cash – The carrying amount reported is the reconciled bank account balances, which are considered to be fair values.
- B. Accounts Receivable – The carrying amount reported is the estimated net collectible amount, which is considered the fair value.
- C. Accounts Payable and Other Liabilities – The carrying amounts reported are the amounts equaled to the required payments. The reported amounts are considered the fair values.

(3) Cash and Cash Equivalents

The Organization is required to have collateral for all funds in excess of the FDIC maximum insured limit of \$250,000 per insured cash account. During the year ended June 30, 2013 the Organization did not have any instances with its depositories exceeding the FDIC limit.

(4) Accounts Receivable

Included in patient receivables are amounts due from Medicare, Medicaid, and private insurance companies. These payments are generally less than established billing rates, the difference being recorded as revenue adjustments at the time the fee for service is recorded.

Accounts receivable balances as of June 30, 2013 and 2012 are:

	<u>2013</u>	<u>2012</u>
Patients Fees	\$ 93,810	\$103,746
Less Allowance for Uncollectible Accounts	<u>(38,568)</u>	<u>(42,653)</u>
Accounts Receivable, Net	<u>\$ 55,242</u>	<u>\$ 61,093</u>

(5) Grants and Contracts Receivable

The Organization is funded through grants and contracts with various organizations. As of June 30, 2013 and 2012 the contracts receivable consisted of the following:

	<u>2013</u>	<u>2012</u>
Tennessee Safetynet Contract	\$ 47,150	\$ 24,296
Prospective Payment System	316,530	131,006
Middle Tennessee State University	12,263	13,775
City of Murfreesboro Block Grant	<u>2,808</u>	<u>2,808</u>
Grants and Contracts Receivable	<u>\$378,751</u>	<u>\$171,885</u>

RUTHERFORD COUNTY PRIMARY CARE CLINIC, INC.

Notes to Financial Statements

June 30, 2013 and 2012

(6) Property, Plant and Equipment

A summary of fixed assets at June 30, 2013 and 2012 is as follows:

	<u>2013</u>	<u>2012</u>
Building	\$4,509,879	\$4,509,879
Land	762,300	762,300
Furniture and Equipment	523,394	564,044
Electronic Medical Records	<u>136,335</u>	<u>136,335</u>
Total	5,931,908	5,972,558
Less Accumulated Depreciation	<u>(1,038,114)</u>	<u>(951,389)</u>
Property, Plant and Equipment, Net	<u>\$4,893,794</u>	<u>\$5,021,169</u>

Property and equipment is depreciable on a straight line basis over the estimated useful life. The depreciation for the fiscal years ended June 30, 2013 and 2012 was \$194,880 and \$197,700.

(7) Grant Support

The Organization received grants from the U.S. Department of Health and Human Services in the amount of \$704,167 of which all was obligated for the year ended June 30, 2013, respectively. Under the terms of this grant the Organization is required to comply with certain federal guidelines and the grantor retains a residual interest in assets acquired with grant funds.

(8) Other Grant and Contracts Support

The Organization received funding from various sources for the fiscal year ended June 30, 2013 and 2012. A summary of non-federal grants and contracts are as follows:

	<u>2013</u>	<u>2012</u>
State of Tennessee	\$ 93,500	\$148,750
Middle Tennessee Medical Center	117,000	114,330
HCA Foundation	50,000	62,610
Rutherford County Grant	50,000	50,000
Middle Tennessee State University	49,004	45,894
United Way Grant	50,773	44,494
Baptist Healing Trust	65,000	43,000
Komen Foundation	10,000	18,918
City of Murfreesboro	26,224	27,472
Other Sources	<u>2,660</u>	<u>5,420</u>
Total	<u>\$514,161</u>	<u>\$560,888</u>

RUTHERFORD COUNTY PRIMARY CARE CLINIC, INC.

Notes to Financial Statements

June 30, 2013 and 2012

(9) Net Patient Revenue

A summary of net patient revenue at June 30, 2013 and 2012 is as follows:

	<u>2013</u>	<u>2012</u>
Patient Fees	\$2,496,183	\$1,937,756
Less Sliding Fee and Other Adjustments	<u>(1,215,532)</u>	<u>(975,227)</u>
Net Revenue	<u>\$1,280,651</u>	<u>\$ 962,529</u>

(10) Operating Lease

The Organization leases clinic space from HCA Health Services of Tennessee on a 24 month lease with payments of \$2,908 per month for the first twelve months and \$2,982 per month for the remainder of the lease. As summary of lease obligations over the next five years are as follows:

June 30, 2014	\$35,112
June 30, 2015	26,830
June 30, 2016	-
June 30, 2017	-
June 30, 2018	-
Total	<u>\$ 61,942</u>

(11) Retirement Plan

The Organization sponsors a 401k retirement plan. All employees are eligible to participate after attainment of age 21 and one year of service. The Organization matches employee contributions up to 3% of eligible employee wages to the plan. The retirement expenses for the years ended June 30, 2013 and 2012 were \$26,685 and \$10,157, respectively.

(12) Charity Care

The Organization provides medical services to patients who qualify under federal guidelines and other corporate policies of the Center at fees less than established rates. The amount of charity care is reduced from the amount of fees for services presented in the statement of activities. The charity amount calculation is based on the Center's standard billing rates for services provided. These fees approximate the total cost of providing charity care. The amount of charity care for the fiscal year ended 2013 and 2012 was \$666,432 and \$524,622 respectively.

(13) Donated Goods and Services

Donated supplies and fixed assets are valued at their fair market value at the date of donation. Donated labor and services are valued at the prevailing wage rate for similar services provided in the community.

RUTHERFORD COUNTY PRIMARY CARE CLINIC, INC.

Notes to Financial Statements

June 30, 2013 and 2012

(14) Subsequent Events

Management has evaluated the events and transactions subsequent to the statement of financial position through the date of the auditor's report (the date the financial statements were available to be issued) for potential recognition or disclosure in the financial statements. Management has not identified any items requiring recognition or disclosure.

SUPPLEMENTAL SCHEDULES

RUTHERFORD COUNTY PRIMARY CARE CLINIC, INC.

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2013

<u>FEDERAL GRANTOR PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>FEDERAL EXPENDITURES</u>
<u>U.S. Department of Health and Human Services</u>		
Health Center Cluster	93.224	<u>\$704,167</u>
Grant No. H80CS24156		
Total Federal Grants		<u>\$704,167</u>

Note to Schedule of Expenditures of Federal Awards

Note A- Basis of Presentation

The accompanying schedule of federal awards includes the federal grant activity of Rutherford County Primary Care Clinic, Inc. and is presented in the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

RUTHERFORD COUNTY PRIMARY CARE CLINIC, INC.

Schedule of Findings, Questioned Costs, and Corrective Action Plan

For the Year Ended June 30, 2013

Section A-Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified
Internal control over financial reporting:
 Significant Deficiency disclosed? _____yes__ X ____no
 Significant Deficiencies reported
 as Material Weaknesses? _____yes__ X ____no
Noncompliance material to financial statements noted? _____yes__ X ____no

Federal Awards

Internal Control over major programs:
 Significant Deficiency identified? _____yes__ X ____no
 Significant Deficiencies reported
 as Material Weaknesses? _____yes__ X ____no

Type of auditor's report issued on compliance
 for major programs: Unqualified
Any audit findings disclosed that are required
 to be reported in accordance with
Circular A-133, Section.510(a)? _____yes__ X ____no

Identification of major programs:

CFDA Number

Name of Federal Program

93.224

Community Health Center

Dollar threshold used to distinguish
 between Type A and Type B programs: \$300,000
Auditee qualified as **low-risk** auditee? _____yes__ X ____no

RUTHERFORD COUNTY PRIMARY CARE CLINIC, INC.

Schedule of Findings, Questioned Costs, and Corrective Action Plan

For the Year Ended June 30, 2013

Section B- Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with paragraphs 5.18 through 5.20 of Government Auditing Standards.

None reported

Section C-Federal Award Findings and Questioned Costs

This section identifies the audit findings required to be reported by Circular A-133, Section .510(a), significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs.

None reported

Questioned Costs-None



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Report on Internal Control Over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial Statements Performed
In Accordance with Government Auditing Standards

The Governing Board
Rutherford County Primary Care Clinic, Inc.
d/b/a/ Primary Care and Hope Clinic

We have audited the financial statements of Rutherford County Primary Care Clinic, Inc. as of and for the year ended June 30, 2013, and have issued our report thereon dated September 13, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of Rutherford County Primary Care Clinic, Inc. is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Rutherford County Primary Care Clinic, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Rutherford County Primary Care Clinic, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Rutherford County Primary Care Clinic, Inc.'s internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management of employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. **We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Rutherford County Primary Care Clinic, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. **The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.**

We noted certain matters that were reported to management of Rutherford County Primary Care Clinic, Inc.'s in a separate letter dated September 13, 2013.

This report is intended solely for the information and use of management, Board of Directors, others within the entity, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jenny Home CPA". The signature is written in a cursive, flowing style.

September 13, 2013



TERRY L. HORNE, CPA

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Report on Compliance With Requirements Applicable to Each Major Program
Program And on Internal Control Over Compliance in Accordance with OMB Circular A-133

The Governing Board
Rutherford County Primary Care Clinic, Inc.

Compliance

We have audited Rutherford County Primary Care Clinic, Inc.'s compliance with the types of compliance requirements described in the (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Rutherford County Primary Care Clinic, Inc.'s major federal programs for the year ended June 30, 2013. Rutherford County Primary Care Clinic, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Rutherford County Primary Care Clinic, Inc.'s management. Our responsibility is to express an opinion on Rutherford County Primary Care Clinic, Inc.'s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Rutherford County Primary Care Clinic, Inc.'s compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Rutherford County Primary Care Clinic, Inc.'s compliance with those requirements.

In our opinion, Rutherford County Primary Care Clinic, Inc. complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013. The results of our auditing procedures disclosed no instances of noncompliance with those requirements.

Internal Control Over Compliance

Management of Rutherford County Primary Care Clinic, Inc. is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Rutherford County Primary Care Clinic, Inc.'s internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purposes of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Rutherford County Primary Care Clinic, Inc.'s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. **We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.**

This report is intended solely for the information and use of management, Board of Directors, others within the entity, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jerry Home CPA", is written over a horizontal line.

September 13, 2013

RUTHERFORD COUNTY PRIMARY CARE CLINIC, INC.

Summary Schedule of Prior Year Audit Findings

June 30, 2013

Finding: 2012-B1

The Organization failed to comply with the Organization's policies and appropriate business practices; provided incorrect discounts for medical services resulting in a loss of revenue.

Status: Resolved