

RUTHERFORD COUNTY PRIMARY CARE CLINIC, INC.
D/B/A PRIMARY CARE & HOPE CLINIC
(A TENNESSEE CORPORATION - NOT-FOR-PROFIT)

FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009
(Together with Independent Auditor's Report)

RUTHERFORD COUNTY PRIMARY CARE CLINIC, INC.
D/B/A/ PRIMARY CARE & HOPE CLINIC

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REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS.**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Rutherford County Primary Care Clinic, Inc.
d/b/a Primary Care & Hope Clinic
Murfreesboro, Tennessee

I have audited the accompanying statement of financial position of Rutherford County Primary Care Clinic, Inc. d/b/a Primary Care & Hope Clinic (a Tennessee Corporation - Not For Profit) as of June 30, 2009 and the related statements of revenues and expenses, changes in net assets, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my 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 I 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. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly in all material respects, the financial position of Rutherford County Primary Care Clinic, Inc. d/b/a Primary Care & Hope Clinic as of June 30, 2009, and the results of its operations, changes in net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated September 25, 2009, on my consideration of Rutherford County Primary Care Clinic, Inc.'s internal control over financial reporting and on my 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 my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of my audit.



DAVID P. GUENTHER

September 25, 2009

RUTHERFORD COUNTY PRIMARY CARE CLINIC, INC.
D/B/A PRIMARY CARE & HOPE CLINIC
(A TENNESSEE CORPORATION - NOT FOR PROFIT)
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2009

ASSETS

Current assets:	
Cash	
Accounts receivable, net of allowance of \$6,401	\$ 82,460
TennCare safety net receivable	34,341
Inventories, at cost	86,875
Prepaid expenses	11,149
Total current assets	23,019
Fixed assets:	\$ 237,844
Land	
Building and improvements	\$ 762,300
Medical equipment	4,475,514
Other equipment	170,066
	463,649
Less: Accumulated depreciation	\$ 5,871,529
Total fixed assets	(340,685)
	\$ 5,530,844
Total assets	\$ 5,768,688

LIABILITIES AND NET ASSETS

Current liabilities:	
Accounts payable	\$ 19,933
Accrued payroll	53,911
Accrued vacation	42,752
Total current liabilities	116,596
Net assets:	
Unrestricted	\$ 5,652,092
Temporarily restricted	-
Total net assets	5,652,092
Total liabilities and net assets	\$ 5,768,688

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

RUTHERFORD COUNTY PRIMARY CARE CLINIC, INC.
D/B/A PRIMARY CARE & HOPE CLINIC
(A TENNESSEE CORPORATION - NOT FOR PROFIT)
STATEMENT OF REVENUES AND EXPENSES
FOR THE YEAR ENDED JUNE 30, 2009

	Unrestricted				
	Operations	Building	Combined	Temporarily Restricted	Total
Revenues:					
Patient fees	\$ 1,255,559	\$ -	\$ 1,255,559	\$ -	\$ 1,255,559
Less: Fee adjustments	(249,962)	-	(249,962)	-	(249,962)
TennCare capitation payments	1,646	-	1,646	-	1,646
TennCare safety net payments	204,675	-	204,675	-	204,675
Net patient fees	\$ 1,211,918	\$ -	\$ 1,211,918	\$ -	\$ 1,211,918
Grant - City of Murfreesboro	10,000	-	10,000	-	10,000
Grant - Rutherford County	50,000	-	50,000	-	50,000
Cash contributions	163,422	-	163,422	-	163,422
Donated goods and services	167,754	-	167,754	-	167,754
Grant - Christy Houston Foundation	-	-	-	60,000	60,000
Other grants	99,724	-	99,724	26,250	125,974
United Way	37,244	-	37,244	-	37,244
Rental income	-	22,774	22,774	-	22,774
Interest income	1,845	-	1,845	-	1,845
Miscellaneous income	12,337	-	12,337	-	12,337
Gain on sale of building	9,104	-	9,104	-	9,104
Net assets released from restriction	266,737	-	266,737	(266,737)	-
Total revenues	\$ 2,030,085	\$ 22,774	\$ 2,052,859	\$ (180,487)	\$ 1,872,372
Expenses:					
Operating expenses	\$ 2,010,465	\$ 37,250	\$ 2,047,715	\$ -	\$ 2,047,715
Total expenses	\$ 2,010,465	\$ 37,250	\$ 2,010,465	\$ -	\$ 2,047,715
Excess (deficit) of revenues over expenses	\$ 19,620	\$ (14,476)	\$ 5,144	\$ (180,487)	\$ (175,343)

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

RUTHERFORD COUNTY PRIMARY CARE CLINIC, INC.
D/B/A PRIMARY CARE & HOPE CLINIC
(A TENNESSEE CORPORATION - NOT FOR PROFIT)
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2009

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Net Assets, June 30, 2008	\$ 5,646,948	\$ 180,487	\$ 5,827,435
Excess of <deficit> revenues over expenses for the year ended June 30, 2008	<u>5,144</u>	<u>(180,487)</u>	<u>(175,343)</u>
Net Assets, June 30, 2009	<u>\$ 5,652,092</u>	<u>\$ -</u>	<u>\$ 5,652,092</u>

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

RUTHERFORD COUNTY PRIMARY CARE CLINIC, INC.
D/B/A PRIMARY CARE & HOPE CLINIC
(A TENNESSEE CORPORATION - NOT FOR PROFIT)
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2009

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fund Raising</u>	<u>Building</u>	<u>Total</u>
Advertising	\$ 372	\$ -	\$ -	\$ -	\$ 372
Bad debts	9,721	-	-	-	9,721
Charity care	469,152	-	-	-	469,152
Depreciation	116,376	33,373	-	-	167,967
Dues and subscriptions	2,189	730	-	18,218	2,919
Fringe benefits	73,753	12,321	-	-	86,695
Fund-Raising	-	-	1,572	621	1,572
Insurance	15,441	5,147	-	-	20,588
Lab fees	23,105	-	-	-	23,105
Miscellaneous	-	2,033	-	-	2,033
Payroll taxes	56,084	9,370	-	-	65,926
Pharmacy	14,842	-	-	472	14,842
Postage	2,446	815	-	-	3,261
Professional fees	24,000	5,000	-	-	29,000
Repairs and maintenance	12,044	6,205	-	689	18,938
Salaries and wages	885,328	119,879	-	6,041	1,011,248
Software consulting	10,947	3,649	-	-	14,596
Supplies	20,736	8,768	-	-	29,504
Telephone	9,984	3,328	-	-	13,312
Travel and meals	-	1,947	-	-	1,947
Utilities	33,718	16,090	-	11,209	61,017
Total operating expense	\$ <u>1,780,238</u>	\$ <u>228,655</u>	\$ <u>1,572</u>	\$ <u>37,250</u>	\$ <u>2,047,715</u>

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

RUTHERFORD COUNTY PRIMARY CARE CLINIC, INC.
D/B/A PRIMARY CARE & HOPE CLINIC
(A TENNESSEE CORPORATION - NOT FOR PROFIT)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2009

Cash provided by operating activities:	
Cash collected from patients, grantors and donors	\$ 1,843,169
Cash paid to suppliers and employees	(1,890,324)
Interest received	1,845
Net cash flows from operations	<u>\$ (45,310)</u>
Cash provided by financing activities:	
Redemption of certificate of deposit	\$ 100,000
Utility deposits applied	558
Proceeds from line of credit	500,000
Repayment of line of credit	(500,000)
Net cash inflows from financing activities	<u>\$ 100,558</u>
Cash provided (used) by investing activities:	
Purchase of fixed assets	\$ (869,694)
Sale of building	483,217
Net cash outflows from investing activities	<u>\$ (386,477)</u>
Net decrease in cash for the year	\$ (331,229)
Cash beginning of year	413,689
Cash end of year	<u>\$ 82,460</u>
RECONCILIATION OF EXCESS OF REVENUES OVER EXPENSES TO	
NET CASH PROVIDED BY OPERATING ACTIVITIES	
Excess (deficit) of revenues over expenses	\$ (175,343)
Adjustments needed to reconcile to net cash provided by operating activities:	
Depreciation	167,968
Change in current assets and liabilities:	
(Increase) decrease in accounts receivable	(2,383)
(Increase) decrease in TennCare safety net receivable	(24,975)
(Increase) decrease in inventories	(4,818)
(Increase) decrease in prepaid expense	(4,207)
Increase (decrease) in accounts payable	1,101
Increase (decrease) in accrued compensation	(2,653)
	<u>\$ (45,310)</u>

The accompanying notes to financial statements are an integral part of this statement

RUTHERFORD COUNTY PRIMARY CARE CLINIC, INC.
(A TENNESSEE CORPORATION – NOT FOR PROFIT)
D/B/A PRIMARY HOPE & CARE CLINIC
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

(1) SIGNIFICANT ACCOUNTING POLICIES:

Basis of Presentation – Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Standards (SFAS) No. 117, *Financial Statements of Not-For-Profit Organizations*. Under SFAS No. 117, the Agency is required to report 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. These net assets classifications are described as follows:

Unrestricted Net Assets – not subject to donor-imposed restrictions. Unrestricted net assets may be designated for specific purposes or locations by action of the Board of Directors.

Temporarily Restricted Net Assets – subject to donor-imposed stipulations that may be fulfilled by actions of the Agency to meet the stipulations or become unrestricted at the date specified by the donor.

Permanently Restricted Net Assets – subject to donor-imposed stipulations that they be retained and invested permanently by the Agency.

Temporarily restricted net assets represent donations received but not expended for the construction of a new facility and/or purchase of equipment.

The Agency has no permanently restricted net assets.

Inventories – Inventories are stated at cost on a first-in, first-out basis and consist of medical supplies, medicines, office and general supplies.

Fixed Assets and Depreciation – Fixed assets are recorded at cost and are depreciated on a straight-line basis over estimated useful lives of between five and forty years, based upon guideline lives established by the American Hospital Association. Fixed assets purchased with grant funds, as well as the proceeds from the disposal of such assets, are subject to a reversionary ownership interest on the part of the grantor agency, as further discussed in Note 5. Donated fixed assets are recorded at their estimated fair market value at the date of donation and are subject to the same capitalization policies as purchased assets.

Income Taxes – The Agency is a not-for-profit organization and has been granted exemption by the Internal Revenue Service under Code Section 501c (3).

Rutherford County Primary Care Clinic, Inc.
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Estimates – The preparation of financial statements in conformity with the generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

Material estimates that are particularly susceptible to significant change relate to the determination of the allowance for uncollectible accounts and the valuation of donated goods and services.

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.

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. Amounts included in the accompanying financial statements include \$167,754 for wages. If the Agency had not received these services, operating losses of approximately \$343,097 would have been incurred by the clinic's operations.

(2) ORGANIZATION AND GENERAL:

Rutherford County Primary Care Clinic, Inc. (The Agency) was organized on October 3, 1991 for the purpose of providing basic primary health care services to low-income persons residing in Rutherford County, Tennessee. The Agency began receiving both insured and uninsured patients on May 11, 1992. Effective January 1, 1994, the Agency began receiving patients under the TennCare Program.

The uninsured program was reorganized to incorporate volunteers, principally due to the initiative of a concerned Adult Nurse Practitioner in the community who saw a need to increase access to health care for indigent patients in the area. Through the efforts of this individual, donations of money and volunteer labor were obtained, and combined with the existing infrastructure of the Agency greatly expanded the Agency's ability to provide quality health care to the uninsured.

Rutherford County Primary Care Clinic, Inc.
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(3) INVENTORIES:

Inventories at June 30, 2009 consist of the following:

Medical supplies	\$ 9,553
Office supplies	1,564
General supplies	<u>32</u>
	<u>\$ 11,149</u>

(4) SIGNIFICANT FUNDING SOURCES:

A major portion of the Agency's funding is provided by grants from Rutherford County, Tennessee, United Way, fees for services received as a TennCare provider and other private grants. A major reduction of funds by any of these sources, should this occur, may have a significant effect on future operations.

(5) REVERSIONARY INTEREST:

As discussed in Note 1, certain equipment owned by the Agency has been purchased in part with grant funds and is subject to return to the grantor either upon its ultimate disposition or for failure to comply with the terms and conditions of the grant contract for the useful life of the equipment. The grantor's interest in this equipment is limited to the percentage of the original purchase price originally paid for the grant funds. In addition, the building currently in use and equipment purchased with the Christy Houston grant funds will become the property of the grantor should they not be used for their intended purpose as a medical clinic. The Christy Houston Foundation released its restriction on the Agency's previous building in 2006.

(6) RETIREMENT PLAN:

The Agency established a 401-K retirement plan for eligible employees. Employees may contribute up to 15% of compensation. The Agency will match contributions up to the first 3% of salary. In addition, the Agency may make discretionary contributions. Total expense to the Agency for the year was \$9,760. A discretionary contribution was not made for the year ended June 30, 2009.

(7) CONCENTRATIONS OF CREDIT RISK:

The total cash held by the organization will occasionally exceed the amounts covered by insurance provided by the federal government. It is the opinion of management that the solvency of the financial institution is not of particular concern at this time.

Rutherford County Primary Care Clinic, Inc.
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(8) LINE OF CREDIT:

In connection with the completion of construction and the purchase of equipment and furnishings for its new building, the Agency obtained a \$500,000 line of credit at 5% interest, secured by its previous building. This loan was repaid in full upon the sale of the building, and interest cost incurred of \$23,307 was capitalized as a part of the new building.

(9) BUILDING RENTAL:

As a part of obtaining funding from the Christy Houston Foundations, the Agency was required to rent a portion of its space to two other unrelated not-for-profit organizations. Rentals charged are to approximate the pro-rate share of costs related to maintaining this space. The income and expenses charged and incurred are shown in separate columns in the accompanying financial statements.

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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**

I have audited the financial statements of Rutherford County Primary Care Clinic, Inc. d/b/a/ Primary Care & Hope Clinic (a Tennessee Corporation – Not For Profit) as of and for the year ended June 30, 2009, and have issued my report thereon dated September 25, 2009. I conducted my 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

In planning and performing my audit, I considered Rutherford County Primary Care Clinic, Inc.'s internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Rutherford County Primary Care Clinic, Inc.'s internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organization's internal control.

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

**Rutherford County Primary Care Clinic, Inc.
Report on Internal Control
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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, I 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 by my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management and 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.

September 25, 2009



DAVID P. GUENTHER