

SALVUS CENTER, INC.
AUDITED FINANCIAL STATEMENTS
JUNE 30, 2014 and 2013

TABLE OF CONTENTS

Independent Auditor's Report	1-2
Statements of Assets, Liabilities and Net Assets – Modified Cash Basis	3
Statements of Support, Revenue, Expenses and Changes in Net Assets – Modified Cash Basis	4-5
Statements of Functional Expenses – Modified Cash Basis	6-7
Statements of Cash Flows – Modified Cash Basis	8
Notes to Financial Statements	9-13



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, 2014 and 2013, and the related statements of support, revenue, and expenses – modified cash basis and functional expenses – modified cash basis and cash flows – modified cash basis for the years 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, 2014 and 2013, and its support, revenue and expenses, functional expenses and cash flows for the years then ended in accordance with the modified cash basis of accounting as described in Note 1.

McMurray & Associates

McMurray & Associates, CPAs
Hendersonville, Tennessee
January 2, 2015

SALVUS CENTER, INC.
STATEMENTS OF ASSETS, LIABILITIES AND NET ASSETS - MODIFIED CASH BASIS
AS OF JUNE 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
ASSETS		
Current assets		
Cash and cash equivalents, restricted cash of \$18,639 and \$13,000, respectively	\$ 69,439	\$ 102,071
Accounts receivable	-	61
Prepaid assets	-	2,994
Total current assets	<u>69,439</u>	<u>105,126</u>
Fixed assets		
Land	277,979	277,979
Building	425,732	425,732
Building improvements	19,676	13,476
Medical office equipment, furniture & fixtures	150,792	125,882
Software	36,051	34,051
	<u>910,230</u>	<u>877,120</u>
Less: accumulated depreciation	(182,025)	(151,601)
Net property and equipment	<u>728,205</u>	<u>725,519</u>
Total assets	<u><u>\$ 797,644</u></u>	<u><u>\$ 830,645</u></u>

LIABILITIES AND NET ASSETS

Current liabilities		
Accrued liabilities	\$ 430	\$ 1,187
Current portion of notes payable	4,363	\$ 35,667
Total current liabilities	<u>4,793</u>	\$ 36,854
Notes payable	-	\$ 105,751
Total liabilities	<u>4,793</u>	142,605
Net assets		
Unrestricted	774,212	675,040
Temporarily restricted	18,639	13,000
Total net assets	<u>792,851</u>	<u>688,040</u>
Total liabilities and net assets	<u><u>\$ 797,644</u></u>	<u><u>\$ 830,645</u></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, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues			
Non-government grant/donations	\$ 427,503	\$ 42,500	\$ 470,003
Government grants	111,819	-	111,819
Patient fees	110,617	-	110,617
Contract service fees	42,787	-	42,787
Individual/business contributions	59,624	-	59,624
In-kind donations	35,050	-	35,050
Fundraisers	53,185	-	53,185
Interest	432	-	432
Other	860	-	860
Net assets moved from temporarily restricted	36,861	(36,861)	-
Total revenues	878,738	5,639	884,377
Expenses			
Program services	\$ 618,556	\$ -	\$ 618,556
Total program services	618,556	-	618,556
Supporting services			
Management and general	\$ 95,187	\$ -	\$ 95,187
Fundraising	65,823	-	65,823
Total supporting services	161,010	-	161,010
Total expenses	\$ 779,566	\$ -	\$ 779,566
Increase in net assets	99,172	5,639	104,811
Net assets at beginning of year	675,040	13,000	688,040
Net assets at end of year	\$ 774,212	\$ 18,639	\$ 792,851

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 from temporarily restricted	3,329	(3,329)	-
Total revenues	<u>728,865</u>	<u>9,671</u>	<u>738,536</u>
Expenses			
Program services	\$ 702,893	\$ -	\$ 702,893
Total program services	<u>702,893</u>	<u>-</u>	<u>702,893</u>
Supporting services			
Management and general	\$ 107,798	\$ -	\$ 107,798
Fundraising	68,682	-	68,682
Total supporting services	<u>176,480</u>	<u>-</u>	<u>176,480</u>
Total expenses	<u>\$ 879,373</u>	<u>\$ -</u>	<u>\$ 879,373</u>
Increase (decrease) in net assets	(150,508)	9,671	(140,837)
Net assets at beginning of year	<u>825,547</u>	<u>3,329</u>	<u>828,876</u>
Net assets at end of year	<u>\$ 675,040</u>	<u>\$ 13,000</u>	<u>\$ 688,040</u>

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, 2014

	Program Service	Management and General	Fundraising	Total
Salaries	\$ 367,970	\$ 32,293	\$ 22,322	\$ 422,585
Employee benefits	11,666	6,111	4,676	22,453
Payroll taxes	29,240	1,796	1,790	32,826
Total personnel cost	408,876	40,200	28,788	477,864
Building Operations:				
Building rent	\$ 33,153	\$ 340	\$ -	\$ 33,493
Building maintenance & repairs	6,889	2,075	-	8,964
Utilities	10,658	164	-	10,822
General operations:				
Advertising	-	200	-	200
Bank fees	191	307	28	526
Dues & registration fees	209	1,040	-	1,249
Insurance	-	7,850	-	7,850
Interest expense	744	479	-	1,223
Licenses & permits	1,191	372	-	1,563
Meals & entertainment	30	793	32	855
Office expenses	1,604	1,474	1,940	5,018
Payroll processing	-	2,102	-	2,102
Professional services	840	4,500	-	5,340
Postage	2,017	317	946	3,280
Staff development & recruiting	600	3,023	-	3,623
Supplies	3,240	488	-	3,728
Technical support	6,008	1,375	-	7,383
Telecommunications	10,774	623	-	11,397
Total operations	78,148	27,522	2,946	108,616
Program:				
Contract service expense	\$ 52,559	\$ -	\$ -	\$ 52,559
Malpractice insurance	-	3,434	-	3,434
Medical & dental supplies	11,116	-	-	11,116
Medical waste disposal	1,836	-	-	1,836
Patient drug assistance	509	-	-	509
Patient assistance	18,336	-	-	18,336
Total program services	84,356	3,434	-	87,790
Fundraisers:				
Fundraising consultant	\$ -	\$ 9,000	\$ 16,500	\$ 25,500
Fundraising event	-	294	16,829	17,123
Total fundraising expense	-	9,294	33,329	42,623
Total expenses before depr & in-kind	\$ 571,380	\$ 80,450	\$ 65,063	\$ 716,893
In-kind expenses	32,250	-	-	32,250
Depreciation	14,926	14,737	760	30,423
Total expenses	\$ 618,556	\$ 95,187	\$ 65,823	\$ 779,566

See independent auditor's report and notes to financial statements

SALVUS CENTER, INC.
STATEMENT OF FUNCTION EXPENSES - MODIFIED CASH BASIS
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 CASH FLOW
-MODIFIED CASH BASIS
FOR THE YEARS ENDED JUNE 30, 2014 and 2013

	2014	2013
<u>Cash Flows From Operating Activities</u>		
Increase (Decrease) in net assets	\$ 104,811	\$ (140,837)
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Change in assets and liabilities:		
Depreciation expense	30,423	30,201
Decrease (Increase) in accounts receivable	61	(61)
Decrease (Increase) in prepaid expenses	2,994	(2,994)
Contributions of property & equipment	(1,050)	(9,750)
(Increase) in accrued liabilities	(757)	(75)
Total adjustments	<u>31,671</u>	<u>17,321</u>
Net cash provided by (used in) operating activities	136,482	(123,516)
<u>Cash Flows from Investing Activities</u>		
Purchase of fixed assets	<u>(32,059)</u>	<u>(114,644)</u>
Net cash used in investing activities	(32,059)	(114,644)
<u>Cash Flows from Financing Activities</u>		
Payments toward notes payable	(137,230)	(24,332)
Proceeds from notes payable	<u>175</u>	<u>165,750</u>
Net cash (used in) provided by financing activities	(137,055)	141,418
Net decrease in cash and cash equivalents	<u>(32,632)</u>	<u>(96,742)</u>
Cash and cash equivalents, beginning of year	<u>102,071</u>	<u>198,813</u>
Cash and cash equivalents, end of year	<u><u>\$ 69,439</u></u>	<u><u>\$ 102,071</u></u>

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

SALVUS CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 and 2013

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 the Center 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, 2014 and 2013 in the amount of \$18,639 and \$13,000, respectively.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Center. The Center has no permanently restricted net assets at June 30, 2014.

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

SALVUS CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 and 2013

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. Building improvements in Gallatin are depreciated over the life of the building of thirty-nine years. Depreciation expense for the years ended June 30, 2014 and 2013 is \$30,423 and \$30,201, 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, 2014 and 2013

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, 2014 and 2013 is \$200 and \$2,035, 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 2014, 2013 and 2012 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, 2013 to conform to the 2014 presentation.

M. Vacation and Sick Time

The Center allows for paid vacation and sick time. It allows full time employees to receive five to fifteen days of paid vacation based upon their years of service, carry-over is not allowed except for unusual circumstances and only up to five days. Three days of sick time can be carried over to the following year. Management has elected not to accrue vacation or sick time because the amounts cannot be reasonably estimated and does not materially affect the financial statements.

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 note was paid in full as of August 23, 2013.

The Center maintains a line of credit with Sumner Bank and Trust in the amount of \$250,000, with interest at 4.5%. There was \$175 bank charge for the line of credit drawn for the year ending June 30, 2014. There were no draws on the line of credit for the year ending June 30, 2013. 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, 2015.

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, 2014 and 2013, the balance was \$4,188 and \$11,813, respectively, payable in eighteen monthly installments of \$656 with final payment due on January 2015.

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

SALVUS CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 and 2013

NOTE 3 – TEMPORARILY RESTRICTED ASSETS

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

	2014	2013
Dental imaging equipment	\$ 8,639	\$ 5,000
Mammogram Assist Underserved Women	0	8,000
Dental program	10,000	0
Temporarily restricted	\$18,639	\$ 13,000

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:

	2014	2013
Public support and revenues		
Donated services	\$32,250	\$44,432
Donated property & equipment	1,050	9,750
Donated use of facilities	0	2,694
Donated medical supplies	1,750	496
Total public support and revenues	<u>\$35,050</u>	<u>\$57,372</u>
Expenditures		
Website maintenance	\$ 0	\$ 350
Rent expense	0	2,694
Medical supplies	1,750	497
Printing	0	104
Recruiting fees	0	6,000
Professional fees – accounting	0	2,500
Professional fees – dental	20,850	22,800
Professional fees – medical	11,400	0
Technical support	0	12,677
Total expenditures	<u>\$34,000</u>	<u>\$47,622</u>
Assets		
Computer hardware	1,050	9,750
Total assets	<u>\$ 1,050</u>	<u>\$9,750</u>
	<u>\$35,050</u>	<u>\$57,372</u>

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

SALVUS CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 and 2013

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 Center has a month-to-month arrangement in place currently with JBE, LLC. 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, 2014 and 2013. Donated use of facilities and rent expense is \$2,694 for the year ended June 30, 2013.

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 64% and 54% of its total support and revenues from donors who contributed cash, in-kind and professional services for the years ended June 30, 2014 and 2013, respectively. During the year ended June 30, 2014, there were four donors that contributed 38% of the cash and donated contributions. During the year ended June 30, 2013, there were four donors that contributed 20% of the cash and donated contributions.

Government grants and reimbursements accounted for 13% and 17% of the total support and revenues for the years ended June 30, 2014 and 2013, 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, 2014 through January 2, 2015, 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.