

SALVUS CENTER, INC.

Gallatin, Tennessee

Audited Financial Statements
Six Months Ended June 30, 2006

STICKEL CPA

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Salvus Center, Inc.

I have audited the accompanying statement of financial position of the Salvus Center, Inc. (a nonprofit corporation) as of June 30, 2006, and the related statements of activities, functional expenses and cash flows for the six months then ended. These financial statements are the responsibility of the Organization's management. My responsibility is to express an opinion on these financial statements based on my audit.

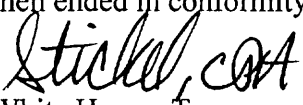
Except as discussed in the following paragraphs, I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material 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.

I did not observe the taking of the physical inventories at June 30, 2006 (stated at \$10,431), since that date was prior to the time I was initially engaged as auditor for the Organization. I was unable to satisfy myself about inventory quantities by means of other auditing procedures.

No accounting controls are exercised over contribution collections from individuals prior to the initial entry of such contributions in the accounting records. Accordingly, it was not practicable for me to extend my audit of such receipts beyond the amounts recorded.

As explained in Note 1 to the financial statements, sample medications acquired by donations is not recorded in the financial statements. In my opinion, accounting principles generally accepted in the United States of America require that such donated inventory be recorded at its fair value at the date of receipt. It was not practicable to determine the effects of the unrecorded sample medications on the financial statements.

In my opinion, except for the effects of such adjustments, if any, as might have been determined necessary had I been able to observe the physical inventories taken as of June 30, 2006, the collections of contributions referred to in the fourth paragraph been susceptible to satisfactory audit tests and the effects of not recording sample medications as discussed in the preceding paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Salvus Center, Inc. as of June 30, 2006, and the changes in its net assets and its cash flows for the six months then ended in conformity with accounting principles generally accepted in the United States of America.


White House, Tennessee
January 19, 2007

SALVUS CENTER, INC.
Statement of Financial Position
June 30, 2006

ASSETS

Cash	\$ 126,193
Cash restricted to start up costs and operations	208,480
Investment	4,484
Other receivable	19
Unconditional promises to give, net	256,290
Inventory	10,431
Prepaid expenses	4,902
Property and equipment, net	<u>28,639</u>
Total assets	<u><u>\$ 639,438</u></u>

LIABILITIES AND NET ASSETS

Liabilities	
Accounts payable	\$ 1,084
Accrued payroll and payroll taxes	<u>4,205</u>
Total liabilities	<u>5,289</u>
Net assets	
Unrestricted	169,379
Temporarily restricted	<u>464,770</u>
Total net assets	<u>634,149</u>
Total liabilities and net assets	<u><u>\$ 639,438</u></u>

The accompanying notes are an integral part of this statement.

SALVUS CENTER, INC.
Statement of Activities
Six Months Ended June 30, 2006

Unrestricted net assets

Public support and revenues

Patient fees	\$ 6,647
Fees for service contract	17,500
Contributions from faith communities	8,157
Contributions from individuals	31,257
Contributions from corporations	1,000
Foundation and trust grants	7,600
Non-profit grants	1,000
Donated assets and supplies	31,856
Dividend income	80
Net unrealized gains on investment	58
Net assets released from restrictions	<u>72,181</u>
Total unrestricted public support, revenues and reclassifications	<u>177,336</u>

Expenses

Program services	82,558
Management and general	19,590
Fundraising	<u>25,896</u>
Total expenses	<u>128,044</u>
Increase in unrestricted net assets	<u>49,292</u>

Temporarily restricted net assets

The Memorial Foundation grant	100,000
HCA Foundation grant	75,000
Ezell Foundation grant	71,463
Donated facilities	164,594
Contributions from faith communities	42,175
Contributions from individuals	39,969
Net assets released from restrictions	<u>(72,181)</u>
Increase in temporarily restricted net assets	<u>421,020</u>

Total increase in net assets 470,312

Net assets at beginning of year 163,837

Net assets at end of year \$ 634,149

The accompanying notes are an integral part of this statement.

SALVUS CENTER, INC.
Statement of Functional Expenses
Six Months Ended June 30, 2006

		<u>Supporting Services</u>		
	<u>Program</u>	<u>Management</u>	<u>Fundraising</u>	<u>Total</u>
	<u>Services</u>	<u>& General</u>		
Salaries and wages	\$53,746	\$ 12,500	\$ 6,250	\$ 72,496
Payroll taxes	5,072	846	423	6,341
Employee benefits	-	219	-	219
Advertising	150	67	929	1,146
Conferences	-	262	-	262
Depreciation and amortization	2,964	374	241	3,579
Fundraising consultant	-	-	15,600	15,600
Insurance	1,372	85	35	1,492
Janitorial services	630	140	70	840
Laboratory services	819	-	-	819
Maintenance agreements	675	-	-	675
Meals and entertainment	304	295	-	599
Medical supplies	2,171	-	-	2,171
Miscellaneous	452	259	-	711
Loss on disposal of equipment	82	28	-	110
Office supplies	1,357	1,035	417	2,809
Payroll processing fees	293	49	24	366
Postage	195	262	-	457
Rent	11,344	2,521	1,261	15,126
Staff development	95	-	-	95
Storage	189	-	-	189
Telephone	481	481	480	1,442
Website hosting	167	167	166	500
Total expenses	<u>\$82,558</u>	<u>\$ 19,590</u>	<u>\$ 25,896</u>	<u>\$128,044</u>

The accompanying notes are an integral part of this statement.

SALVUS CENTER, INC.
Statement of Cash Flows
Six Months Ended June 30, 2006

Cash flows from operating activities	
Increase in net assets	\$ 470,312
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation	3,579
Contributions of property and equipment	(20,025)
Contributions of inventory included in contributions	(10,431)
Loss on disposal of equipment	110
Net unrealized gains on investment	(58)
(Increase) decrease in:	
Other receivable	(19)
Unconditional promises to give, net	(256,290)
Inventory	1,500
Prepaid expenses	(4,902)
Increase (decrease) in:	
Accounts payable	1,084
Accrued payroll and payroll taxes	630
	<hr/>
Net cash provided by operating activities	185,490
	<hr/>
Cash flows from investing activities	
Purchase of property and equipment	(5,186)
	<hr/>
Net cash used by investing activities	(5,186)
	<hr/>
Net increase in cash	180,304
Cash, beginning of period	154,369
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Cash, end of period	<u><u>\$ 334,673</u></u>
Supplemental disclosure of non-cash investing activities	
Property and equipment contributed	<u><u>\$ 20,025</u></u>

The accompanying notes are an integral part of this statement.

SALVUS CENTER, INC.
Notes to Financial Statements
Six Months Ended June 30, 2006

Note 1. Nature of Activities and Significant Accounting Policies

Organization and Nature of Activities

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

Change in Accounting Period

The Center changed from a calendar year end of December 31st to a fiscal year end of June 30th effective January 1, 2006. Therefore the financial statements presented are for the six months ended June 30, 2006.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The accrual basis of accounting recognizes revenues when earned and expenses when incurred.

Financial Statement Presentation

Information regarding the Center's financial position and activities are reported in three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Center has not received any permanently restricted contributions.

Unrestricted net assets include resources that are not temporarily or permanently restricted by the donor and are available for operations of the entity without limitation. Unrestricted net assets also include resources restricted by donor-imposed criteria for which the restrictions are met within the same time period as the funds are received.

Temporarily restricted net assets include those resources subject to donor-imposed stipulations that may or will be met, either by actions of the Center and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from donor restrictions.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Center's management to make estimates and

SALVUS CENTER, INC.
Notes to Financial Statements - Continued
Six Months Ended June 30, 2006

Note 1. Nature of Activities and Significant Accounting Policies – Continued

Estimates - Continued

assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash includes bank demand deposit accounts, money market accounts and cash on hand. Cash also includes amounts received from donors restricted for start up costs and operations since these are not restricted for long-term purposes. The Center had no cash equivalents for the six months ended June 30, 2006.

Investments

Investments in equity securities with readily determinable fair values are measured at market value in the statement of financial position. The fair values for the equity securities are based on quoted market prices.

Gains and losses on dispositions of investments are accounted for on a specific identification basis. There were no dispositions of investments for the six months ended June 30, 2006. Net realized and unrealized gains and losses are included in the statement of activities.

Inventory

The Center maintains an inventory of medical supplies. This inventory is stated at the lower of cost (first-in, first-out) or market.

The Center also receives sample medications from donors. Generally accepted accounting principles require the donated sample medications to be recognized in the financial statements since the medications are being used in the Center's programs. The value of these contributions is not included in the financial statements as contributions or as inventory because the Organization does not have a system to account for these items.

Property and Equipment

The Center does not have a formal capitalization policy. Generally, the Center capitalizes property and equipment acquisitions in excess of \$100 with an estimated useful life in excess of one year. Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Property and equipment are depreciated using the 200% declining balance method over their estimated useful lives, which range from 5 to 7 years. Software is amortized using the straight-line method over their estimated useful lives of 3 years.

SALVUS CENTER, INC.
Notes to Financial Statements - Continued
Six Months Ended June 30, 2006

Note 1. Nature of Activities and Significant Accounting Policies - Continued

Contributions

Unconditional promises to give are recorded as received. Unconditional promises to give are recorded at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the promises are received to discount the amounts. Promises to give are received from foundations, individuals and faith communities located in the Middle Tennessee region. An allowance for uncollectible promises is provided based on management's evaluation of potential uncollectible promises receivable at June 30, 2006.

Conditional promises to give are not recognized until the conditions on which the promise depends are substantially met or explicitly waived by the donor.

Contributions of cash and other assets are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions received with donor-imposed restrictions that are met in the same year in which the contributions are received are classified as temporarily restricted contributions.

Donated Services, Goods, Assets and Facilities

The Center receives donated services from a variety of volunteers. No amounts have been recognized in the accompanying statement of activities because the criteria for recognition of such volunteer effort under SFAS No. 116 have not been satisfied.

Materials and other assets received as donations are recorded and reflected in the accompanying financial statements at their fair values at the date of receipt.

The Center receives the free use of facilities under a lease agreement that expires January 31, 2010. The contribution is recorded at the present value of its net realizable value.

Functional Expenses

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

Income Taxes

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

SALVUS CENTER, INC.
Notes to Financial Statements - Continued
Six Months Ended June 30, 2006

Note 1. Nature of Activities and Significant Accounting Policies - Continued

Advertising

The Center expenses advertising costs as they are incurred. Advertising expense was \$1,146 for the six months ended June 30, 2006.

Note 2. Cash Restricted to Start Up Costs and Operations

The Center received grants from foundations for start up costs and operations. The amount of cash restricted at June 30, 2006 for start up costs and operations by grant is as follows:

The Memorial Foundation grant	\$ 100,000
HCA Foundation grant	75,000
BCBS Health Foundation grant	33,480
Total	<u>\$ 208,480</u>

Note 3. Investment

The investment at June 30, 2006 is common stock that was contributed by a donor in 2005. The market value on June 30, 2006 is \$4,484. There was an unrealized gain for the six months ended June 30, 2006 in the amount of \$58. There were no investment expenses or fees for the six months ended June 30, 2006.

Note 4. Unconditional Promises to Give

Unconditional promises to give at June 30, 2006 are as follows:

Cash unconditional promises to give	\$ 120,015
In-kind unconditional promises to give	<u>164,500</u>
Total unconditional promises to give	284,515
Less discounts to net present value	(23,625)
Less allowance for uncollectible promises	<u>(4,600)</u>
Net unconditional promises to give	<u>\$ 256,290</u>
Receivable in less than one year, net	\$ 104,699
Receivable in one to five years, net	<u>151,591</u>
Totals	<u>\$ 256,290</u>

SALVUS CENTER, INC.
Notes to Financial Statements - Continued
Six Months Ended June 30, 2006

Note 4. Unconditional Promises to Give - Continued

Gross contributions have been discounted to account for the time value of money using a discount rate of 4.63% for the in-kind unconditional promises to give and 5.07% for the cash unconditional promises to give. The discount rates are determined on the dates that the promises to give are received by the Center.

Note 5. Conditional Promises to Give

The Center receives conditional promises to give periodically from companies who have agreed to match contributions of its employees. There was a conditional promise to give at June 30, 2006 in the amount of \$1,800. The conditional promise is from a company that has agreed to match an amount recorded as an unconditional promise to give at June 30, 2006. The conditional promise will not be recognized until the employee contributes the amount promised.

Note 6. Property and Equipment

The components of property and equipment as of June 30, 2006 are as follows:

Medical and office equipment, furniture and fixtures	\$ 24,308
Software	8,400
Leasehold improvements	800
	<u>33,508</u>
Less accumulated depreciation	(4,869)
Property and equipment, net	<u><u>\$ 28,639</u></u>

Depreciation expense for the six months ended June 30, 2006 is \$3,579.

Note 7. Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2006 are available for the following purposes:

Time restricted	\$ 256,290
Foundation grants	208,480
Total	<u><u>\$ 464,770</u></u>

Net assets were released from donor restrictions as follows:

Payments received on	
promises to give	\$ 46,785
Grant expenses	10,270
In-kind contributions used	<u>15,126</u>
Total	<u><u>\$ 72,181</u></u>

SALVUS CENTER, INC.
Notes to Financial Statements - Continued
Six Months Ended June 30, 2006

Note 8. Operating Lease Commitment

The Center has an operating lease for its clinic with Sumner Regional Health Systems, Inc. The lease was dated February 17, 2006 with a lease term beginning on March 1, 2006 and ending on January 31, 2010. The clinic is located at 556 Hartsville Pike, Suite #200, in Gallatin, Tennessee. The leased space consists of 2,045 rentable square feet. The Center has negotiated the lease for annual payments of \$0. The fair market value of the office space is a base of \$19.16 per square foot for the first three years of the lease with the amount increasing to \$20.17 the fourth year. The fair market value of the office space also includes amounts for common area maintenance, insurance and taxes at \$3.03 per square foot for the first year and this amount will be adjusted in subsequent years. Contributions and rent expense for the six months ended June 30, 2006 is \$15,126.

Note 9. Concentration of Credit Risk

Financial instruments that potentially subject the Clinic to concentrations of credit risk consist principally of promises to give and cash accounts with financial institutions. Cash deposits exceeding federally insured limits totaled \$161,727 at June 30, 2006. The Clinic has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk.

The Center has unsecured promises to give from donors located primarily in the Middle Tennessee region. The net balances due on the unconditional promises to give at June 30, 2006 are \$208,480.

Note 10. Concentrations

The Clinic received approximately 96% of its total support and revenues from donors who contributed cash and in-kind contributions. There were four donors that contributed 70% of these contributions.

Note 11. Related Party Transactions

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

The Center leases the clinic as a sublease as discussed in Note 8 above. The owner of the clinic is a board member and employee who leases the space to Sumner Regional Health Systems.

SALVUS CENTER, INC.
Notes to Financial Statements - Continued
Six Months Ended June 30, 2006

Note 12. Donated Services, Goods, Assets and Facilities

The value of donated services, goods, assets and facilities included in the financial statements as expenditures and assets for the six months ended June 30, 2006 are as follows:

Supplies	\$ 900
Property and equipment	11,225
Leasehold improvements	800
Software	8,000
Website hosting	500
Inventory	10,431
Rent	<u>15,126</u>
Totals	<u>\$ 46,082</u>