

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

June 30, 2019 and 2018

(With Independent Auditor's Report Thereon)

RUTHERFORD COUNTY PRIMARY CARE CLINIC, INC.

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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

Report on the Financial Statements

We have audited the accompanying financial statements of Rutherford County Primary Care Clinic, Inc. (the Organization) which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities and changes in net assets, functional expenses and cash flows for the fiscal 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 accounting principles generally accepted in the United States of America; this includes 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 audits. We conducted our audits 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 from 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 that 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 financial position of Rutherford County Primary Care Clinic, Inc. as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the fiscal years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is not a required part of the 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 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 Schedule of Expenditures and Federal Awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 6, 2019 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 considering Rutherford County Primary Care Clinic, Inc.'s internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Jerry Hume CPA". The signature is written in dark ink and is positioned above the date and location text.

Lebanon, TN
September 6, 2019

Rutherford County Primary Care Clinic, Inc.
Statements of Financial Position
June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
<i>Current Assets</i>		
Cash	\$ 2,207,629	\$ 1,524,918
Accounts Receivable Net	155,394	218,628
Grants and Contracts Receivable	544,571	586,963
Inventory-Pharmacy	46,189	21,351
Prepaid Expenses	36,804	31,891
<i>Total Current Assets</i>	<u>2,990,587</u>	<u>2,383,751</u>
<i>Property and Equipment</i>		
Property and Equipment, at Cost,		
Net of Accumulated Depreciation	<u>5,526,281</u>	<u>5,710,212</u>
<i>Total Property and Equipment</i>	<u>5,526,281</u>	<u>5,710,212</u>
 Total Assets	 <u>\$ 8,516,868</u>	 <u>\$ 8,093,963</u>
 LIABILITIES AND NET ASSETS		
<i>Current Liabilities</i>		
Accounts Payable	\$ 66,991	\$ 40,530
Accrued Payroll Liabilities	300,580	266,722
Accrued Compensated Absences	261,808	237,464
<i>Total Current Liabilities</i>	<u>629,379</u>	<u>544,716</u>
 Total Liabilities	 <u>629,379</u>	 <u>544,716</u>
 Net Assets - Without Donor Restrictions	 7,700,220	 7,549,247
Net Assets - With Donor Restrictions	<u>187,269</u>	<u>0</u>
Total Net Assets	<u>7,887,489</u>	<u>7,549,247</u>
 Total Liabilities and Net Assets	 <u>\$ 8,516,868</u>	 <u>\$ 8,093,963</u>

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

Rutherford County Primary Care Clinic, Inc.
Statements of Activities and Changes in Net Assets
For the Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Support and Revenues:		
Net Patient Revenue	\$ 3,300,068	\$ 2,897,095
Public Support - Federal Grants	1,764,506	1,626,411
Other Grants and Contracts	2,102,748	1,831,719
Contributions	472,029	685,433
Other Revenue	16,571	17,422
<i>Total Support and Revenues</i>	<u>7,655,922</u>	<u>7,058,080</u>
Expenses:		
Program Service Expenses	5,031,817	4,790,300
General and Administrative Expenses	2,473,132	2,260,532
<i>Total Expenses</i>	<u>7,504,949</u>	<u>7,050,832</u>
Change in Net Assets		
Without Donor Restriction	<u><u>\$ 150,973</u></u>	<u><u>\$ 7,248</u></u>
Net Assets With Donor Restriction		
Contributions	187,269	0
Change in Net Assets		
With Donor Restriction	<u>187,269</u>	<u>0</u>
Total Change in Net Assets	\$ 338,242	\$ 7,248
Net Assets, Beginning of Year	7,549,247	7,541,999
Net Assets, End of Year	<u><u>\$ 7,887,489</u></u>	<u><u>\$ 7,549,247</u></u>

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

Rutherford County Primary Care Clinic, Inc.
Statements of Functional Expenses
For the Years Ended June 30, 2019 and 2018

2019	Program Services	General and Administrative	2019 Total
Salaries and Wages	\$ 2,851,179	\$ 1,603,055	\$ 4,454,234
Fringe Benefits	600,441	337,594	938,035
Purchased Services and Professional Fees	261,735	259,890	521,625
Supplies	436,774	38,270	475,044
Donated Supplies	405,127	0	405,127
Depreciation	91,826	123,555	215,381
Travel, Communication, and Other	384,735	110,768	495,503
Total	\$ 5,031,817	\$ 2,473,132	\$ 7,504,949

2018	Program Services	General and Administrative	2018 Total
Salaries and Wages	\$ 2,664,481	\$ 1,450,032	\$ 4,114,513
Fringe Benefits	578,321	314,727	893,048
Purchased Services and Professional Fees	192,997	226,127	419,124
Supplies	280,298	41,046	321,344
Donated Supplies	608,722	0	608,722
Depreciation	106,856	132,599	239,455
Travel, Communication, and Other	358,625	96,002	454,626
Total	\$ 4,790,300	\$ 2,260,532	\$ 7,050,832

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

Rutherford County Primary Care Clinic, Inc.
Statements of Cash Flows
For the Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Operating Activities:		
Changes in Net Assets	\$ 338,242	\$ 7,248
Items not requiring (providing Cash)		
Depreciation	215,381	239,456
Changes in		
Accounts Receivable, Net	63,234	(41,573)
Grants and Contracts Receivable	42,392	(179,873)
Inventory	(24,838)	(15,827)
Prepaid Items	(4,913)	(3,126)
Accounts Payable	26,461	1,643
Accrued Payroll Liabilities	33,858	26,562
Accrued Compensated Absences	24,344	28,309
Net Cash Provided by Operating Activities:	<u>714,161</u>	<u>62,819</u>
Investing Activities:		
Purchases of Property, Plant and Equipment	(31,450)	(89,509)
Net Cash Used in Investing Activities:	<u>(31,450)</u>	<u>(89,509)</u>
Net Increase (Decrease) in Cash	<u>682,711</u>	<u>(26,690)</u>
Cash at Beginning of The Year	1,524,918	1,551,608
Cash at End of The Year	<u><u>\$ 2,207,629</u></u>	<u><u>\$ 1,524,918</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, 2019 and 2018

(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) Basis of Presentation

The financial statements of the Organization have been prepared in accordance with U.S. generally accepted accounting principles (US GAAP), which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Organization's management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

(c) Cash and Cash Equivalents

The Organization considers all liquid investments, other than those limited as to use, with original maturities of three months or less to be cash equivalents. At June 30, 2019 and 2018, cash equivalents consisted primarily of money market accounts. As of June 30, 2019, \$79,246 was uninsured by Federal Deposit Insurance Coverage or secured by Federal Securities.

(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.

RUTHERFORD COUNTY PRIMARY CARE CLINIC, INC.

Notes to Financial Statements

June 30, 2019 and 2018

(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. The Organization utilizes computations within industry standards to test the reserve for uncollectible patient accounts.

(f) Inventory

Inventories consist of medical supplies and pharmaceutical drugs. Inventories, if material in quantity, are valued at the lower of cost or market value. Generally, medical supplies are not considered to be material and are expensed when purchased. Therefore, there is no medical supplies inventory reported in the accompanying financial statement. Inventories of pharmaceutical drugs at June 30, 2019 and 2018 were \$46,189 and \$21,350, respectively.

(g) 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. Expenditures for maintenance and repairs are expenses when incurred. Expenditures for renewals or betterments are capitalized. The threshold for capitalization is \$1,000. When property is retired or sold, the cost and related accumulated depreciation are removed from the accounts, and the resulting gain or loss is included in operations.

(h) 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 net assets with donor restrictions, and a receivable is recorded when allowable expenditures exceed cash received. The Organization recognizes an increase in net assets without donor restriction when a related restriction is met in the same reporting period.

(i) 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.

RUTHERFORD COUNTY PRIMARY CARE CLINIC, INC.

Notes to Financial Statements

June 30, 2019 and 2018

(j) Contributions

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

(k) Expense Allocation

Some expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation, interest, and office and occupancy, which are allocated on a square-footage basis, as well as salaries and benefits, which are allocated on the basis of estimates of time and effort.

(l) 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.

(m) Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation.

(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.

RUTHERFORD COUNTY PRIMARY CARE CLINIC, INC.

Notes to Financial Statements

June 30, 2019 and 2018

(3) Availability and Liquidity

The following represents the Organization's financial assets at June 30, 2019 and 2018 that were available for general expenditures:

	<u>2019</u>	<u>2018</u>
Cash and Cash Equivalents	\$ 2,207,629	\$ 1,524,918
Accounts Receivable Net	155,394	218,628
Contracts and Other Receivable	<u>544,571</u>	<u>586,963</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 2,907,594</u>	<u>\$ 2,330,509</u>

The Organization's goal is generally to maintain financial assets to meet 90 days of operating expenses (approximately \$1.8 million). As part of its liquidity plan, excess cash may be invested in short-term investments, including money market accounts and certificates of deposit.

(4) Accounts Receivable

Included in patient receivables are amounts due from Patients, Medicare, Medicaid, and private insurance companies. These payments are generally less than established billing rates, the difference being recorded as revenue adjustments. Accounts receivable balances are as follows at:

	<u>2019</u>	<u>2018</u>
Patient Fees and Third-Party Settlements	\$ 248,934	\$ 281,931
Less: Allowance for Uncollectible Accounts	<u>(93,540)</u>	<u>(63,303)</u>
Accounts Receivable, net	<u>\$ 155,394</u>	<u>\$ 218,628</u>

(5) Grants and Contracts Receivable

The Organization is funded through grants and contracts with various organizations. Receivables related to these grants and contracts are comprised of the following as of June 30:

	<u>2019</u>	<u>2018</u>
Prospective Payment System	\$ 261,076	\$ 493,658
Federal Grant Receivable	118,533	0
Tennessee SafetyNet Contract	34,800	43,874
Capital Grant Receivable	75,000	0
Meaningful Use Funds	0	25,500
340B Receivable	52,438	18,753
Other Grants and Contracts	<u>2,724</u>	<u>5,178</u>
Total Grants and Contracts Receivable	<u>\$ 544,571</u>	<u>\$ 586,963</u>

The Organization expects to collect all grants and contracts receivable within the next year. Accordingly, there is no allowance for uncollectible receivables related to these balances at June 30, 2019 or June 30, 2018.

RUTHERFORD COUNTY PRIMARY CARE CLINIC, INC.

Notes to Financial Statements

June 30, 2019 and 2018

(6) Property, Plant and Equipment

A summary of property and equipment at June 30, 2019 and 2018 is as follows:

	2019	2018
Building, and Building Improvements	\$ 5,147,714	\$ 5,147,714
Land	1,702,300	1,702,300
Furniture and Equipment	662,273	656,156
Electronic Medical Records	136,335	136,335
Construction in Process	84,171	73,268
Total	7,732,793	7,715,773
Less: Accumulated Depreciation	(2,206,512)	(2,005,561)
Property and Equipment, net	<u>\$ 5,526,281</u>	<u>\$ 5,710,212</u>

Property and equipment is depreciated on a straight-line basis over the estimated useful life. The depreciation for the fiscal years ended June 30, 2019 and 2018 was \$215,381 and \$239,455.

(7) Net Assets With Donor Restrictions

Net assets with donor restrictions consist of grants awarded by donor for specific purposes designated by the donor. The total amount of net assets with donor restrictions were restricted for the following purposes at:

	2019	2018
Capital Expansion	\$ 170,000	\$ 0
Provider Salaries	17,269	0
Total Net Assets With Donor Restriction	<u>\$ 187,269</u>	<u>\$ 0</u>

(8) Net Patient Revenue

A summary of net patient revenue is as follows for the fiscal years ended June 30:

	2019	2018
Gross Charges	\$ 6,931,659	\$ 6,432,030
Less: Discounts and Adjustments	(3,631,591)	(3,534,935)
Net Patient Revenue	<u>\$ 3,300,068</u>	<u>\$ 2,897,095</u>

(9) Federal Grant Support

The Organization received federal grants in the amount of \$1,764,506 and \$1,626,411 of which all was obligated for the years ended June 30, 2019 and 2018, respectively. Under the terms of these grants the Organization is required to comply with certain federal guidelines and the grantor retains a residual interest in assets acquired with grant funds.

RUTHERFORD COUNTY PRIMARY CARE CLINIC, INC.

Notes to Financial Statements

June 30, 2019 and 2018

(10) Other Grants and Contract Revenue

The Organization also receives revenue through grants and contracts with various organizations. These revenue amounts as of the year ended June 30, 2019 and 2018 were \$2,102,748 and \$1,831,719 respectively.

(11) 340B Revenue

The Organization has a network of participating pharmacies that dispense the pharmaceuticals to its patients under contract arrangement with the Organization. The Organization participates in the 340B “Drug Discount Pricing Program” which enables qualifying health care providers to purchase drugs from pharmaceutical suppliers at a substantial discount. The 340B Drug Discount Pricing Program is managed by the Health Resources and Services Administration (HRSA) Office of Pharmacy Affairs. The Organization earns revenue under this program by purchasing pharmaceuticals at a reduced cost to fill prescriptions to qualified patients. Reported 340B revenue consists of the in-house pharmacy sales and reimbursement from the network of participating pharmacies.

	<u>2019</u>	<u>2018</u>
Gross Receipts	\$ 1,167,375	\$ 552,819
Drug Replenishment and Other Costs	<u>(700,152)</u>	<u>(402,530)</u>
Net 340B Revenue	<u>\$ 467,223</u>	<u>\$ 150,289</u>

The 340B gross receipts are included in other grants and contracts and patient revenue in the statements of activities and changes in net assets. The drug replenishment is included in supplies on the statement of functional expenses. The in-house pharmacy costs are included in their respective financial statement line items. The net 340B pharmacy revenue from this program is used in furtherance of the Organization’s mission.

(12) Contributions

The Organization received contributions of \$472,029 and \$685,433 for the years ended June 30, 2019 and 2018. A summary of the contributions are as follows:

The Organization received donated pharmaceuticals to be disbursed to indigent patients. The fair market value of these donations is the actual amounts reported by the donor. The value of these donations for the years ended June 30, 2019 and 2018 was \$405,127 and \$608,722, respectively.

The Organization also received cash donations for the years ended June 30, 2019 and 2018 of \$19,889 and \$23,320, respectively, from individuals and other organizations.

The Organization also received donated labor and services for volunteers who donated their time and efforts in the Organization’s program. These services are valued at the prevailing wage rate for similar services provided in the community. The fair market value for these donated services for the years ended June 30, 2019 and 2018 was \$47,013 and \$53,391, respectively.

RUTHERFORD COUNTY PRIMARY CARE CLINIC, INC.

Notes to Financial Statements

June 30, 2019 and 2018

(13) Operating Leases

The Organization has two leases with Thompson Properties of Middle Tennessee for clinic space. These leases are on a 24-month terms with payments totaling \$4,100 per month. The payments are scheduled to increase to \$4,300 for the 12-month period beginning April 1, 2020.

The Organization has a lease with North Professional Center for clinic space. This lease is on a 24-month term requiring payments of \$3,150 per month.

Future lease payments are as follows for the years ending June 30:

2020	\$	88,500
2021		66,150
Thereafter		<u>0</u>
Total	\$	<u>154,650</u>

(14) Medical Malpractice Coverage

The Bureau of Primary Health Care, in accordance with Section 224 of the Public Health Service Act, provides liability protection to the Organization under the Federal Tort Claims Act (FTCA) for damage for personal injury, including death, resulting from the performance of medical, surgical, dental, and related functions. The FTCA coverage is comparable to an "occurrence" policy without a monetary cap.

(15) 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, 2019 and 2018 were \$109,255 and \$94,815, respectively.

(16) Significant Source of Revenue

Approximately 23% of the Organization's revenue for each of the fiscal years ended June 30, 2019 and 2018 was attributable to the U.S. Department of Health and Human Services grant award for the audit period. The organization is dependent on this continued funding and the absence of these grants could possibly have a negative effect on operations.

(17) Charity Care

The Organization provides medical services to patients who qualify under federal guidelines and other corporate policies of the Organization 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 Organization'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 2019 and 2018 was \$933,023 and \$1,049,272 respectively.

RUTHERFORD COUNTY PRIMARY CARE CLINIC, INC.

Notes to Financial Statements

June 30, 2019 and 2018

(18) Contingencies

The Organization's management is of the opinion that its insurance coverage is adequate to cover any potential losses on asserted claims and is unaware of any incidents, which would ultimately result in a loss in excess of the of the Organization's insurance coverage.

(19) Related Party Transactions

The Organization is required by its federal grantor to maintain a governing board of individuals of which more than 50% are users of the Organization. Therefore, the Organization does have related party transactions with those directors. These transactions were not material to the operation of the Organization and were conducted at "arms-length."

(20) 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, 2019

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
<u>U.S. Department of Health and Human Services</u>				
Health Center Program Cluster Grants for New and Expanded Service Under the Health Center Program <i>Grant No. H80CS 24156</i>	93.527	N/A	N/A	\$ 1,485,613
Health Center Program (Community Health Centers, Migrant Health, Health Care for the Homeless, and Public Housing Primary Care) <i>Grant No. H80CS 24156</i>	93.224	N/A	N/A	\$ <u>262,669</u>
Total Direct Grants				\$ 1,748,282
<u>United States Department of Housing and Urban Development</u>				
Pass Through Grant City of Murfreesboro Community Development Block Grant	14.218	N/A	N/A	\$ <u>16,224</u>
Total Federal Grants				<u><u>\$ 1,764,506</u></u>

Note to Schedule of Expenditures of Federal Awards

Note A- Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal award (the "Schedule") of Rutherford County Primary Care Clinic, Inc. under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Because the Schedule presents only a selected portion of the operations of Rutherford County Primary Care Clinic, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Rutherford County Primary Care Clinic, Inc.

Note B-Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Rutherford County Primary Care Clinic, Inc. has elected not to use the 10 percent de minimus indirect cost rate allowed under Uniform Guidance.

Note C- Subrecipients

The Organization provided no federal awards to subrecipients.



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Independent Auditor's 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, in accordance with the 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, the financial statements of Rutherford County Primary Care Clinic, Inc. which comprise the statements of financial position as of June 30, 2019, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 6, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Rutherford County Primary Care Clinic, Inc. internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of Rutherford County Primary Care Clinic, Inc.'s internal control.

A *deficiency in internal control* 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 and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, **during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.** However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Rutherford County Primary Care Clinic, Inc.'s financial statements are free from 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 we reported to management of Rutherford County Primary Care Clinic, Inc. in a separate letter dated September 6, 2019.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Lebanon, TN
September 6, 2019



TERRY L. HORNE, CPA

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**Independent Auditor's Report on Compliance for Each Major Federal Program and
on Internal Control Over Compliance and Report Required by the Uniform Guidance**

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

Report on Compliance for Each Major Federal Program

We have audited Rutherford County Primary Care Clinic, Inc.'s compliance with the types of compliance requirements described in the OMB 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, 2019. 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.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Rutherford County Primary Care Clinic, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. 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 Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and Uniform Guidance 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 on compliance for each major federal program. However, our audit does not provide a legal determination of Rutherford County Primary Care Clinic, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Rutherford County Primary Care Clinic, Inc. complied, in all material respects, with the types of 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, 2019.

Report on Internal Control Over Compliance

Management of Rutherford County Primary Care Clinic, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Rutherford County Primary Care Clinic, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, 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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. **We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.**

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Lebanon, TN
September 6, 2019

RUTHERFORD COUNTY PRIMARY CARE CLINIC, INC.

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2019

Section A-Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

Material Weakness(es) identified?

_____yes X no

Significant Deficiency(ies) identified?

_____yes X none reported

Noncompliance material to financial statements noted?

_____yes X no

Federal Awards

Internal Control over major programs:

Material Weakness(es) identified?

_____yes X no

Significant Deficiency(ies) identified?

_____yes X none reported

Type of auditor's report issued on compliance
for major programs:

Unmodified

Any audit findings disclosed that are required
to be reported in accordance with
2 CFR 200.516(a)?

_____yes X no

Identification of major programs:

CFDA Number

Name of Federal Program

93.224 & 93.527

Health Center Program Cluster

Dollar threshold used to distinguish
between Type A and Type B programs:

\$750,000

Auditee qualified as low-risk auditee?

X yes _____no

RUTHERFORD COUNTY PRIMARY CARE CLINIC, INC.

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2019

Section B- Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, fraud, noncompliance with provisions of laws, regulations, contracts, and grant agreements, and abuse related to the financial statements for which Government Auditing Standards requires reporting.

None

Section C-Federal Award Findings and Questioned Costs

This section identifies the audit findings required to be reported by 2 CFR 200.516(a), significant deficiencies, material weaknesses, material instances of noncompliance, including questioned costs, and material abuse.

None

Questioned Costs-None

RUTHERFORD COUNTY PRIMARY CARE CLINIC, INC.

Summary Schedule of Prior Year Audit Findings

June 30, 2019

There were no findings in the prior year audit. However, there were certain matters involving internal controls that were reported to the management of Rutherford County Primary Care Clinic, Inc. in a separate letter. These matters were reviewed and it was determined that the necessary corrective action had been taken to improve these related controls.