

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, 2008
(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.***

DAVID P. GUENTHER
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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

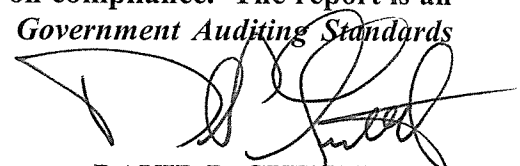
I have audited the accompanying statement of financial position of Rutherford County Primary Care Clinic, Inc. d/b/a Primary Care & Hope Clinic (a Tennessee Corporation – Not For Profit) as of June 30, 2008 and the related statements of revenues and expenses, changes in net assets, functional expenses 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, 2008, 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 October 21, 2008, 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.

October 21, 2008



DAVID P. GUENTHER

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, 2008

ASSETS

Current assets:

Cash	\$ 413,689
Accounts receivable, net of allowance of \$5,047	31,958
TennCare safety net receivable	61,900
Inventories, at cost	6,331
Prepaid expenses	18,812
Total current assets	<u>\$ 532,690</u>

Fixed assets:

Land	\$ 862,300
Building and improvements	474,745
Medical equipment	135,067
Other equipment	334,676
Construction in progress	4,082,888
	<u>\$ 5,889,676</u>

Less: Accumulated depreciation

Total fixed assets	<u>\$ 5,625,429</u>
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Other assets:

Utility deposits	\$ 558
Certificates of deposit	100,000
Total other assets	<u>\$ 100,558</u>

Total assets	<u><u>\$ 6,258,677</u></u>
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LIABILITIES AND NET ASSETS

Current liabilities:

Accounts payable	\$ 331,926
Accrued payroll	52,167
Accrued vacation	47,149
Total current liabilities	<u>\$ 431,242</u>

Net assets:

Unrestricted	\$ 5,646,948
Temporarily restricted	180,487
Total net assets	<u>\$ 5,827,435</u>

Total liabilities and net assets	<u><u>\$ 6,258,677</u></u>
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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, 2008

	Unrestricted			Temporarily Restricted	Total
	Operations	Building	Combined		
Revenues:					
Patient fees	\$ 1,159,821	\$ -	\$ 1,159,821	\$ -	\$ 1,159,821
Less: Fee adjustments	(239,545)	-	(239,545)	-	(239,545)
TennCare capitation payments	3,700	-	3,700	-	3,700
TennCare safety net payments	194,225	-	194,225	-	194,225
Net patient fees	\$ 1,118,201	\$ -	\$ 1,118,201	\$ -	\$ 1,118,201
Grant - City of Murfreesboro	10,000	-	10,000	-	10,000
Grant - Rutherford County	40,000	-	40,000	-	40,000
Cash contributions	124,724	-	124,724	8,546	133,270
Donated goods and services	119,844	-	119,844	-	119,844
Grant - Christy Houston Foundation	-	-	-	900,000	900,000
Other grants	147,517	-	147,517	264,385	411,902
United Way	37,143	-	37,143	-	37,143
Interest income	11,306	-	11,306	64,221	75,527
Miscellaneous income	7,348	-	7,348	-	7,348
Net assets released from restriction	-	3,944,333	3,944,333	(3,944,333)	-
Total revenues	\$ 1,616,083	\$ 3,944,333	\$ 5,560,416	\$ (2,707,181)	\$ 2,853,235
Expenses:					
Operating expenses	\$ 1,743,692	\$ -	\$ 1,743,692	\$ -	\$ 1,743,692
Total expenses	\$ 1,743,692	\$ -	\$ 1,743,692	\$ -	\$ 1,743,692
Excess (deficit) of revenues over expenses	\$ (127,609)	\$ 3,944,333	\$ 3,816,724	\$ (2,707,181)	\$ 1,109,543

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, 2008

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Net Assets, June 30, 2007	\$ 1,830,224	\$ 2,887,668	\$ 4,717,892
Excess of <deficit> revenues over expenses for the year ended June 30, 2007	<u>3,816,724</u>	<u>(2,707,181)</u>	<u>1,109,543</u>
Net Assets, June 30, 2008	<u>\$ 5,646,948</u>	<u>\$ 180,487</u>	<u>\$ 5,827,435</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, 2008

	Program Services	General and Administrative	Fund Raising	Total
Advertising	\$ 275	\$ -	\$ -	\$ 275
Bad debts	4,698	-	-	4,698
Charity care	476,009	-	-	476,009
Depreciation	47,752	523	-	48,275
Dues and subscriptions	694	-	-	694
Fringe benefits	69,359	8,634	-	77,993
Fund-Raising	-	-	3,262	3,262
Insurance	24,673	-	-	24,673
Lab fees	6,928	-	-	6,928
Miscellaneous	963	-	-	963
Payroll taxes	51,681	5,615	-	57,296
Pharmacy	13,964	-	-	13,964
Postage	2,597	-	-	2,597
Professional fees	24,000	5,000	-	29,000
Repairs and maintenance	13,826	4,608	-	18,434
Salaries and wages	817,746	73,395	-	891,141
Software consulting	25,665	-	-	25,665
Supplies	35,548	3,463	-	39,011
Telephone	7,975	2,658	-	10,633
Travel and meals	1,313	-	-	1,313
Utilities	8,151	2,717	-	10,868
Total operating expenses	\$ <u>1,633,817</u>	\$ <u>106,613</u>	\$ <u>3,262</u>	\$ <u>1,743,692</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, 2008

Cash provided by operating activities:

Cash collected from patients, grantors and donors	\$ 2,701,723
Cash paid to suppliers and employees	(1,337,145)
Interest received	75,527

Net cash flows from operations	\$ <u>1,440,105</u>
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Cash provided (used) by financing activities:

Purchase of fixed assets	\$ (4,019,568)
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Net cash outflows from financing activities:	\$ <u>(4,019,568)</u>
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Net decrease in cash for the year	\$ (2,579,463)
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Cash beginning of year	2,993,152
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Cash end of year	\$ <u><u>413,689</u></u>
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RECONCILIATION OF EXCESS OF REVENUES OVER EXPENSES TO
NET CASH PROVIDED BY OPERATING ACTIVITIES

Excess of revenues over expenses	\$ 1,109,543
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Adjustments needed to reconcile to net cash provided by operating activities:

Depreciation	48,275
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Change in current assets and liabilities:

(Increase) decrease in accounts receivable	(7,293)
(Increase) decrease in TennCare safety net receivable	(24,375)
(Increase) decrease in inventories	844
(Increase) decrease in prepaid expense	(1,520)
Increase (decrease) in accounts payable	325,329
Increase (decrease) in accrued compensation	30,969
Increase (decrease) in unearned grant funds	(41,667)

	\$ <u><u>1,440,105</u></u>
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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, 2008

(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).

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 \$119,844 for wages. If the Agency had not received these services, operating losses of approximately \$247,454 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.

(3) INVENTORIES:

Inventories at June 30, 2008 consist of the following:

Medical supplies	\$ 5,019
Office supplies	953
General supplies	<u>359</u>
	<u>\$ 6,331</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 under construction 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 current 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 \$10,400. A discretionary contribution was not made for the year ended June 30, 2008.

(7) CONCENTRATIONS OF CREDIT RISK:

The total cash held by the organization at June 30, 2008 includes \$289,914 in monies that are not 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.