

SALVUS CENTER, INC.
AUDITED FINANCIAL STATEMENTS
JUNE 30, 2022 and 2021

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 the Financial Statements	9-13



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Salvus Center, Inc.

Opinion

We have audited the accompanying financial statements of Salvus Center, Inc. (a nonprofit organization), which comprise the statements of assets, liabilities, and net assets – modified cash basis as of June 30, 2022 and 2021, and the related statements of support, revenue, and expenses – modified cash basis, functional expenses – modified cash basis, and cash flows – modified cash basis for the years then ended, and the related notes to the financial statements.

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, 2022 and 2021, and its support, revenue and expenses and its cash flows for the years then ended in accordance with the modified cash basis of accounting as described in Note 1.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Salvus Center, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the modified cash basis of accounting as described in Note 1, and for determining that the modified cash basis of accounting is an acceptable basis for the

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 Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Salvus Center, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Salvus Center, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

McMurray, Fox & Associates

McMurray, Fox & Associates, PLLC
Hendersonville, Tennessee
October 12, 2022

SALVUS CENTER, INC.**STATEMENTS OF ASSETS, LIABILITIES AND NET ASSETS - MODIFIED CASH BASIS****AS OF JUNE 30, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 295,586	\$ 290,269
Prepaid assets	2,533	3,364
Total current assets	<u>298,119</u>	<u>293,633</u>
Property and equipment		
Land	277,979	277,979
Building	425,732	425,732
Building improvements	28,775	41,276
Medical office equipment, furniture & fixtures	112,669	149,828
Software	10,828	38,318
Construction in Process	7,000	-
	<u>862,983</u>	<u>933,133</u>
Less: accumulated depreciation	<u>(252,626)</u>	<u>(317,528)</u>
Net property and equipment	<u>610,357</u>	<u>615,605</u>
Total assets	<u><u>\$ 908,476</u></u>	<u><u>\$ 909,238</u></u>
Liabilities and net assets		
Current liabilities		
Accrued liabilities	\$ 2,018	\$ 900
Unearned rental revenue	2,538	-
Total current liabilities	<u>4,556</u>	<u>900</u>
Total liabilities	<u>4,556</u>	<u>900</u>
Net assets without donor restrictions	<u>903,920</u>	<u>908,338</u>
Total liabilities and net assets	<u><u>\$ 908,476</u></u>	<u><u>\$ 909,238</u></u>

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

SALVUS CENTER, INC.**STATEMENTS OF SUPPORT, REVENUE, EXPENSES, AND CHANGES IN NET ASSETS - MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2022**

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Revenues			
Non-government grant/donations	\$ 254,733	\$ -	\$ 254,733
Government grants	152,701	-	152,701
Patient fees	78,225	-	78,225
Individual/business contributions	45,656	-	45,656
In-kind donations	7,200	-	7,200
Rental income	27,913	-	27,913
Interest	264	-	264
Total revenues	566,692	-	566,692
Expenses			
Program services	235,270	-	235,270
Total program services	235,270	-	235,270
Supporting services			
Management and general	239,952	-	239,952
Fundraising	95,888	-	95,888
Total supporting services	335,840	-	335,840
Total expenses	571,110	-	571,110
Increase (decrease) in net assets	(4,418)	-	(4,418)
Net assets at beginning of year	908,338	-	908,338
Net assets at end of year	<u>\$ 903,920</u>	<u>\$ -</u>	<u>\$ 903,920</u>

See independent auditor's report and notes to financial statements

SALVUS CENTER, INC.**STATEMENTS OF SUPPORT, REVENUE, EXPENSES, AND CHANGES IN NET ASSETS - MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Without Donor</u> <u>Restriction</u>	<u>With Donor</u> <u>Restriction</u>	<u>Total</u>
Revenues			
Non-government grant/donations	\$ 201,500	\$ -	\$ 201,500
Government grants	371,269	-	371,269
Conditional grant	26,746	-	26,746
Patient fees	61,911	-	61,911
Contract service fees	4,852	-	4,852
Individual/business contributions	50,365	-	50,365
In-kind donations	10,800	-	10,800
Fundraisers	3,145	-	3,145
Rental income	19,847	-	19,847
Interest	147	-	147
Net assets released from restriction	1,000	(1,000)	-
Total revenues	751,582	(1,000)	750,582
Expenses			
Program services	286,402	-	286,402
Total program services	286,402	-	286,402
Supporting services			
Management and general	154,941	-	154,941
Fundraising	71,452	-	71,452
Total supporting services	226,393	-	226,393
Total expenses	512,795	-	512,795
Increase (decrease) in net assets	238,787	(1,000)	237,787
Net assets at beginning of year	669,551	1,000	670,551
Net assets at end of year	\$ 908,338	\$ -	\$ 908,338

See independent auditor's report and notes to financial statements

SALVUS CENTER, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022 and 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Advertising Costs

Advertising costs are expensed as incurred. Total advertising cost for the years ended June 30, 2022 and 2021 was \$5,489 and \$5,155, respectively.

J. 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.

K. 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. Sick time is accrued one day per month for a total of twelve days per year. 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 do not materially affect the financial statements.

NOTE 2 – REFUNDABLE ADVANCE – PPP FUNDS

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus originating from Wuhan, China (the “COVID-19 outbreak”) and risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic based on the rapid increase in exposure globally. This prompted President Trump to sign the “Coronavirus Aid, Relief, and Economic Security (CARES) Act on March 27, 2020. The CARES Act, among other things, includes provisions relating to refundable payroll, tax credits, deferment of employer’s portion of social security payments, net operating loss carryback periods, alternative minimum tax credit refunds, modifications to the net interest deduction limitations, increased limitations on qualified charitable contributions, and technical corrections to tax depreciation methods for qualified improvement property. The CARES Act also appropriated funds for the SBA Paycheck Protection Program loans that are forgivable in certain situations to promote continued employment, as well as Economic Injury Disaster Loans to provide liquidity to small businesses harmed by COVID-19. On April 16, 2020 the Center’s board approved a \$95,397 request of funds that was approved and deposited into the Center’s account on April 22, 2020. Management elected to account for the unexpended portion of inflow of cash as a refundable advance as of June 30, 2020. In February 2021, the PPP loan was forgiven and the refundable advance was reclassified to income.

SALVUS CENTER, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022 and 2021

NOTE 3 – LINE OF CREDIT

The Center maintains a line of credit with Sumner Bank and Trust in the amount of \$250,000, with variable interest calculated at Wall Street Journal U.S. Prime Rate, 3.25% at note inception. The Center's outstanding balance on the line of credit for the years ended June 30, 2022 and 2021 was \$0 and \$0, respectively. 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 March 9, 2023.

NOTE 4 – 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 5 – LIQUIDITY

The Center's assets available at June 30, 2022 equates to \$295,586, which is comprised of cash. The Center is substantially supported by grants, individual contributions, and service fees which are primarily without donor restrictions and are available for general expenditure.

NOTE 6 – CONCENTRATIONS

For the year ended June 30, 2022, 5 donors contributed 65% of non-government grants and contributions. During the year ended June 30, 2021, there were five donors that contributed 46% of non-government grants and contributions.

Government grants and reimbursements accounted for 27% and 53% of the total support and revenues for the years ended June 30, 2022 and 2021, respectively.

NOTE 7 – 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:

Public support and revenues	<u>2022</u>	<u>2021</u>
Donated services	<u>\$ 7,200</u>	<u>\$ 10,800</u>
Total public support and revenues	<u>7,200</u>	<u>10,800</u>
Expenditures		
Professional fees - medical	<u>7,200</u>	<u>10,800</u>
Total expenditures	<u>\$ 7,200</u>	<u>\$ 10,800</u>

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

SALVUS CENTER, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022 and 2021

NOTE 8 – SUBSEQUENT EVENTS

The Center has evaluated events and transactions for subsequent events that would impact the financial statements for the year ended June 30, 2022 through October 12, 2022, the date the financial statements were available to be issued. There were no subsequent events that require recognition in the financial statements.

SALVUS CENTER, INC.
STATEMENT OF FUNCTIONAL EXPENSES - MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2022

	Program Service	Management and General	Fundraising	Total
Salaries	\$ 158,226	\$ 118,711	\$ 45,813	\$ 322,750
Employee benefits	33,707	551	5,536	39,794
Payroll taxes	11,992	8,890	3,273	24,155
Total personnel cost	203,925	128,152	54,622	386,699
Building operations:				
Building maintenance & repairs	-	31,900	-	31,900
Utilities	-	9,010	-	9,010
General operations:				
Advertising	-	-	5,489	5,489
Bank charges	-	624	-	624
Dues & registration fees	-	3,488	-	3,488
Insurance	-	7,929	-	7,929
Licenses & permits	-	420	-	420
Meals & entertainment	-	-	3,390	3,390
Office expense	-	2,907	2,172	5,079
Payroll processing	-	1,929	-	1,929
Professional services	-	9,328	-	9,328
Postage	-	-	2,395	2,395
Staff development & recruiting	-	1,698	-	1,698
Supplies	-	7,670	-	7,670
Technical support	8,915	9,203	2,522	20,640
Telecommunications	-	7,066	-	7,066
Total operations	8,915	93,172	15,968	118,055
Program:				
Contract service expense	2,373	-	-	2,373
Medical supplies	8,230	-	-	8,230
Malpractice insurance	2,944	-	-	2,944
Medical waste disposal	1,683	-	-	1,683
Total program services	15,230	-	-	15,230
Fundraisers:				
Fundraising consultant	-	-	25,298	25,298
Total fundraising expense	-	-	25,298	25,298
Total expenses before depr & in-kind	228,070	221,324	95,888	545,282
In-kind expenses	7,200	-	-	7,200
Depreciation	-	18,628	-	18,628
Total expenses	\$ 235,270	\$ 239,952	\$ 95,888	\$ 571,110

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

SALVUS CENTER, INC.
STATEMENTS OF CASH FLOWS - MODIFIED CASH BASIS
FOR THE YEARS ENDED JUNE 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<u>Cash Flows From Operating Activities</u>		
Increase (decrease) in net assets	\$ (4,418)	\$ 237,787
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities		
Depreciation expense	18,628	17,543
Forgiveness of PPP funds	-	(25,546)
Change in assets and liabilities:		
(Increase) in prepaid expenses	831	(2,984)
(Decrease) Increase in unearned revenue	2,538	(1,050)
(Decrease) increase in accrued liabilities	1,118	(198)
Total adjustments	<u>23,115</u>	<u>(12,235)</u>
Net cash provided by operating activities	18,697	225,552
<u>Cash Flows from Investing Activities</u>		
Purchase of fixed assets	<u>(13,380)</u>	<u>(8,081)</u>
Net cash used in investing activities	(13,380)	(8,081)
<u>Cash Flows from Financing Activities</u>		
Line of credit activity	<u>-</u>	<u>(16,138)</u>
Net cash used in financing activities	-	(16,138)
Net increase in cash and cash equivalents	<u>5,317</u>	<u>201,333</u>
Cash and cash equivalents, beginning of year	<u>290,269</u>	<u>88,936</u>
Cash and cash equivalents, end of year	<u><u>\$ 295,586</u></u>	<u><u>\$ 290,269</u></u>

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

SALVUS CENTER, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022 and 2021

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. 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 professional services and property and equipment received for less than fair market value are recorded as contributions in these financial statements.

C. Use of Estimates

The preparation of financial statements in conformity with the modified cash 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.

D. 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.

E. 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 three and seven years. The building is depreciated using the straight-line method over the estimated useful life of thirty-nine years. Building improvements are depreciated over the life of the building of thirty-nine years. Depreciation expense for the years ended June 30, 2022 and 2021 is \$18,628 and \$17,543, respectively. Repair and maintenance costs are expensed as incurred.

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

SALVUS CENTER, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022 and 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Basis of Presentation

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed stipulations. Accordingly, net assets of the Center and changes therein are classified and reported as follows:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed stipulations.

Net assets with donor restrictions – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Center 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 net assets without donor restrictions. The Center has no donor restrictions as of June 30, 2022 and 2021, respectively.

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions of cash or other assets that must be used to acquire property and equipment are reported as increases in net assets with donor restrictions until the assets are acquired and placed in service as instructed by the donor. Amounts received that are designated for future periods or restricted by the donor for a specific purpose are reported as net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statement of activities as net assets released from restrictions.

G. 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.

H. 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.