

**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, 2004**  
**(Together with Independent Auditor's Report)**

**RUTHERFORD COUNTY PRIMARY CARE CLINIC, INC.**  
**D/B/A PRIMARY CARE & HOPE CLINIC**

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## **INDEPENDENT AUDITOR'S REPORT**

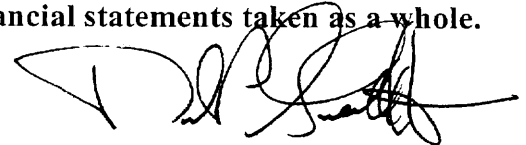
To the Board of Directors  
Rutherford County Primary Care Clinic, Inc.  
d/b/a Primary Care & Hope Clinic  
Murfreesboro, Tennessee

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, 2004 and the related statements of revenues and expenses, changes in net assets 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. 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, 2004, 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.

My audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplemental schedule of operating expenses (Schedule I) is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



**DAVID P. GUENTHER**

November 30, 2004

**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, 2004**

**ASSETS**

|   |                            |
|---|----------------------------|
| <b>Current assets:</b>                              |                            |
| Cash  | \$ 360,158                 |
| Accounts receivable, net of allowance of<br>\$1,063 | 48,513                     |
| Inventories, at cost                                | 10,023                     |
| Prepaid expenses                                    | 22,648                     |
| Total current assets                                | <u>\$ 441,342</u>          |
| <b>Fixed assets:</b>                                |                            |
| Land  | \$ 100,000                 |
| Building and improvements                           | 474,746                    |
| Medical equipment                                   | 73,747                     |
| Other equipment                                     | 89,092                     |
|   | <u>\$ 737,585</u>          |
| Less: Accumulated depreciation                      | (132,377)                  |
| Total fixed assets                                  | <u>\$ 605,208</u>          |
| <b>Other assets:</b>                                |                            |
| Utility deposits                                    | \$ 670                     |
| Total other assets                                  | <u>\$ 670</u>              |
| Total assets  | <u><u>\$ 1,047,220</u></u> |

**LIABILITIES AND NET ASSETS**

|                                  |                            |
|----------------------------------|----------------------------|
| <b>Current liabilities:</b>      |                            |
| Accounts payable                 | \$ 5,495                   |
| Accrued payroll                  | 25,347                     |
| Accrued vacation                 | 27,546                     |
| Total current liabilities        | <u>\$ 58,388</u>           |
| <b>Net assets:</b>               |                            |
| Total unrestricted net assets    | \$ 988,832                 |
| Total liabilities and net assets | <u><u>\$ 1,047,220</u></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 REVENUES AND EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2004**

|   | INSURED<br>PROGRAM<br>(TENNCARE) | UNINSURED<br>PROGRAM   | COMBINED                  |
|---|----------------------------------|------------------------|---------------------------|
| <b>Revenues:</b>                                  |                                  |                        |                           |
| Patient fees                                      | \$ 1,080,534                     | \$ 193,930             | \$ 1,274,464              |
| Less: Fee adjustments                             | (381,508)                        | -                      | (381,508)                 |
| TennCare capitation payments                      | <u>56,666</u>                    | <u>-</u>               | <u>56,666</u>             |
| Net patient fees                                  | \$ 755,692                       | \$ 193,930             | \$ 949,622                |
| <br>Grant - City of Murfreesboro                  | -                                | 4,000                  | 4,000                     |
| Grant - Rutherford County                         | -                                | 20,000                 | 20,000                    |
| Cash contributions                                | -                                | 130,553                | 130,553                   |
| Donated goods and services                        | -                                | 212,663                | 212,663                   |
| Other grants                                      | -                                | 42,500                 | 42,500                    |
| United Way  | -                                | 19,000                 | 19,000                    |
| Interest income                                   | 685                              | 337                    | 1,022                     |
| Miscellaneous income                              | <u>4,844</u>                     | <u>160</u>             | <u>5,004</u>              |
| Total revenues                                    | \$ <u>761,221</u>                | \$ <u>623,143</u>      | \$ <u>1,384,364</u>       |
| <br><b>Expenses:</b>                              |                                  |                        |                           |
| <u>Operating expenses-Schedule I</u>              | \$ 799,225                       | \$ 623,654             | \$ 1,422,879              |
| Total expenses                                    | \$ <u>799,225</u>                | \$ <u>623,654</u>      | \$ <u>1,422,879</u>       |
| <br>Excess (deficit) of revenues over<br>expenses | \$ <u><u>(38,004)</u></u>        | \$ <u><u>(511)</u></u> | \$ <u><u>(38,515)</u></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 CHANGES IN NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2004**

|  |                          |
|--|--------------------------|
| Net Assets, June 30, 2003  | \$ 1,027,347             |
| Excess (deficit) of revenues over expenses<br>for the year ended June 30, 2004 | <u>(38,515)</u>          |
| Net Assets, June 30, 2004  | \$ <u><u>988,832</u></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, 2004**

**Cash provided by operating activities:**

|  |               |
|--|---------------|
| Cash collected from patients, grantors<br>and donors | \$ 1,167,649  |
| Cash paid to suppliers and employees                 | (1,168,456)   |
| Interest received                                    | 1,022         |
| Net cash flows from operations                       | <u>\$ 215</u> |

**Cash provided (used) by financing activities:**

|  |                   |
|--|-------------------|
| Purchase of fixed assets                     | \$ (6,518)        |
| Net cash outflows from financing activities: | <u>\$ (6,518)</u> |

|  |                          |
|--|--------------------------|
| Net increase (decrease) in cash for the year | \$ (6,303)               |
| Cash beginning of year                       | 366,461                  |
| Cash end of year                             | <u><u>\$ 360,158</u></u> |

**RECONCILIATION OF EXCESS OF REVENUES OVER EXPENSES TO  
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES**

|  |             |
|--|-------------|
| Excess of deficit revenues over expenses   | \$ (38,515) |
| Adjustments needed to reconcile to net cash<br>provided by operating activities: |             |
| Depreciation   | 41,084      |

**Change in current assets and liabilities:**

|   |               |
|---|---------------|
| (Increase) decrease in accounts receivable  | (4,052)       |
| (Increase) decrease in inventories          | 684           |
| (Increase) decrease in prepaid expense      | 50            |
| Increase (decrease) in accounts payable     | (5,711)       |
| Increase (decrease) in accrued compensation | 6,675         |
|   | <u>\$ 215</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)**  
**SCHEDULE OF OPERATING EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2004**

**SCHEDULE I**

|                          | <b>INSURED<br/>PROGRAM<br/>(TENNCARE)</b> | <b>UNINSURED<br/>PROGRAM</b> | <b>COMBINED</b>     |
|--------------------------|---|------------------------------|---------------------|
| Advertising              | \$ 341                                    | \$ 87                        | \$ 428              |
| Bad debts                | 2,946                                     | 25                           | 2,971               |
| Charity care             | 70  | 193,930                      | 194,000             |
| Contract labor           | 57,796                                    | 20,915                       | 78,711              |
| Depreciation             | 39,924                                    | 1,160                        | 41,084              |
| Dues and subscriptions   | 367                                       | 67                           | 434                 |
| Fringe benefits          | 72,129                                    | 17,310                       | 89,439              |
| Fund-raising             | -   | 17,367                       | 17,367              |
| Insurance                | 21,288                                    | 6,086                        | 27,374              |
| Lab fees                 | -   | 149,030                      | 149,030             |
| Medi-fax fees            | 450                                       | -                            | 450                 |
| Miscellaneous            | 3,615                                     | 810                          | 4,425               |
| Payroll taxes            | 35,418                                    | 8,445                        | 43,863              |
| Pharmacy                 | -   | 5,252                        | 5,252               |
| Postage                  | 2,069                                     | 584                          | 2,653               |
| Professional fees        | 25,875                                    | 8,625                        | 34,500              |
| Repairs and maintenance  | 16,647                                    | 4,781                        | 21,428              |
| Salaries and wages       | 455,693                                   | 172,587                      | 628,280             |
| Software consulting      | 956                                       | 291                          | 1,247               |
| Supplies                 | 47,240                                    | 11,563                       | 58,803              |
| Telephone                | 9,085                                     | 2,709                        | 11,794              |
| Travel and meals         | 946                                       | 139                          | 1,085               |
| Utilities                | 6,370                                     | 1,891                        | 8,261               |
| Total operating expenses | \$ <u>799,225</u>                         | \$ <u>623,654</u>            | \$ <u>1,422,879</u> |

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, 2004**

**(1) SIGNIFICANT ACCOUNTING POLICIES**

**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 6. 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 exemptions 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 uncollectable accounts and the valuation of donated goods and services.

**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 \$62,192 for wages and \$145,471 for lab fees for the uninsured program. If the Agency had not received these services, operating losses of approximately \$208,200 would have been incurred by the uninsured program.

Notes Continued

**(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, 2004 consist of the following:

|                  |                  |
|------------------|------------------|
| Medical supplies | \$ 7,021         |
| Office supplies  | 2,844            |
| General supplies | <u>158</u>       |
|                  | \$ <u>10,023</u> |

**(4) SIGNIFICANT FUNDING SOURCES:**

A major portion of the Agency's funding is provided by grants from Rutherford County, Tennessee, United Way, capitation payments, 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.

## **Notes Continued**

### **(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 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.

### **(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 \$12,637. A discretionary contribution was not made for the year ended June 30, 2004.