

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

June 30, 2021 and 2020

(With Independent Auditor's Report Thereon)

**RUTHERFORD COUNTY PRIMARY CARE CLINIC, INC.**  
**(d/b/a PRIMARY CARE AND HOPE CLINIC)**

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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. (d/b/a/ Primary Care and Hope Clinic) (the Organization) which comprise the statements of financial position as of June 30, 2021 and 2020, 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. (d/b/a/ Primary Care and Hope Clinic) as of June 30, 2021 and 2020, 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 October 15, 2021 on our consideration of Rutherford County Primary Care Clinic, Inc.'s (d/b/a/ Primary Care and Hope Clinic) 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 (d/b/a/ Primary Care and Hope Clinic) internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Jenny Hume CPA". The signature is written in a cursive, flowing style.

Lebanon, TN  
October 15, 2021

**Rutherford County Primary Care Clinic, Inc.**  
**(d/b/a Primary Care and Hope Clinic)**  
 Statements of Financial Position  
 June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<b>ASSETS</b>		
<i>Current Assets</i>		
Cash and Cash Equivalents	\$ 6,653,133	\$ 3,663,982
Short - Term Investments	0	1,000,000
Accounts Receivable	845,930	396,822
Contract 340B Receivables	67,765	61,573
Grants Receivable	829,611	140,457
Inventory	63,388	68,356
Prepaid Expenses	39,531	44,666
<i>Total Current Assets</i>	<u>8,499,358</u>	<u>5,375,856</u>
 Grants Receivable - Long Term	 1,017,100	 59,400
Property and Equipment, Net	5,772,990	5,451,182
 <b>Total Assets</b>	 <b><u>\$ 15,289,448</u></b>	 <b><u>\$ 10,886,438</u></b>
 <b>LIABILITIES AND NET ASSETS</b>		
<i>Current Liabilities</i>		
Accounts Payable	\$ 181,246	\$ 74,103
Accrued Payroll Liabilities	406,091	351,498
Accrued Compensated Absences	264,898	272,291
Refundable Advance - Provider Relief	0	169,255
Current Portion of Notes Payable	0	319,239
<i>Total Current Liabilities</i>	<u>852,235</u>	<u>1,186,386</u>
 <i>Long-Term Liabilities</i>		
Notes Payable	0	833,108
Current Portion of Notes Payable	0	(319,239)
<i>Total Long-Term Liabilities</i>	<u>0</u>	<u>513,869</u>
 <b>Total Liabilities</b>	 <u>852,235</u>	 <u>1,700,255</u>
 Net Assets - Without Donor Restrictions	 12,328,889	 8,751,474
Net Assets - With Donor Restrictions	2,108,324	434,709
<b>Total Net Assets</b>	<u>14,437,213</u>	<u>9,186,183</u>
 <b>Total Liabilities and Net Assets</b>	 <b><u>\$ 15,289,448</u></b>	 <b><u>\$ 10,886,438</u></b>

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

**Rutherford County Primary Care Clinic, Inc.**  
**(d/b/a Primary Care and Hope Clinic)**  
**Statements of Activities and Changes in Net Assets**  
**For the Years Ended June 30, 2021 and 2020**

	<b>2021</b>	<b>2020</b>
<b>Support and Revenues:</b>		
Net Patient Revenue	\$ 6,075,598	\$ 5,434,113
Contract 340B Revenue	1,426,580	1,269,006
Federal Grants	3,121,146	1,945,660
Other Grants	469,945	445,984
Contributions	337,297	350,190
Net Assets Released from Restriction	429,770	7,460
<b>Total Support and Revenues</b>	<b>11,860,336</b>	<b>9,452,413</b>
<b>Expenses:</b>		
Program Service Expenses	6,400,197	5,836,106
General and Administrative Expenses	2,753,555	2,583,562
<b>Total Expenses</b>	<b>9,153,752</b>	<b>8,419,668</b>
<b>Other Income (Expense):</b>		
Interest Income	13,466	6,767
Other Income	15,447	11,742
Income from Forgiveness of Debt	841,918	0
<b>Total Other Income (Expense)</b>	<b>870,831</b>	<b>18,509</b>
<b>Change in Net Assets</b>		
<b>Without Donor Restriction</b>	<b>\$ 3,577,415</b>	<b>\$ 1,051,254</b>
<b>Net Assets With Donor Restriction</b>		
Contributions	\$ 2,103,385	\$ 254,900
Net Assets Released From Restriction	(429,770)	(7,460)
<b>Change in Net Assets</b>		
<b>With Donor Restriction</b>	<b>1,673,615</b>	<b>247,440</b>
<b>Total Change in Net Assets</b>	<b>5,251,030</b>	<b>1,298,694</b>
Net Assets, Beginning of Year	9,186,183	7,887,489
<b>Net Assets, End of Year</b>	<b>\$ 14,437,213</b>	<b>\$ 9,186,183</b>

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

**Rutherford County Primary Care Clinic, Inc.**  
**(d/b/a Primary Care and Hope Clinic)**  
**Statements of Functional Expenses**  
**For the Years Ended June 30, 2021 and 2020**

<b>2021</b>	<b>Program Services</b>	<b>General and Administrative</b>	<b>2021 Total</b>
Salaries and Wages	\$ 3,429,932	\$ 1,785,966	\$ 5,215,898
Fringe Benefits	649,868	338,387	988,255
Purchased Services and Professional Fees	523,447	325,276	848,723
Supplies	830,297	86,464	916,761
Donated Supplies	307,454	0	307,454
Depreciation	165,182	66,130	231,312
Travel, Communication, and Other	494,017	151,332	645,349
<b>Total</b>	<b>\$ 6,400,197</b>	<b>\$ 2,753,555</b>	<b>\$ 9,153,752</b>

<b>2020</b>	<b>Program Services</b>	<b>General and Administrative</b>	<b>2020 Total</b>
Salaries and Wages	\$ 3,195,732	\$ 1,742,012	\$ 4,937,744
Fringe Benefits	630,154	343,501	973,655
Purchased Services and Professional Fees	451,761	245,288	697,049
Supplies	736,849	63,902	800,751
Donated Supplies	295,696	0	295,696
Depreciation	142,690	66,588	209,278
Travel, Communication, and Other	383,224	122,271	505,495
<b>Total</b>	<b>\$ 5,836,106</b>	<b>\$ 2,583,562</b>	<b>\$ 8,419,668</b>

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

**Rutherford County Primary Care Clinic, Inc.**  
**(d/b/a Primary Care and Hope Clinic)**  
**Statements of Cash Flows**  
**For the Years Ended June 30, 2021 and 2020**

	<u><b>2021</b></u>	<u><b>2020</b></u>
<b>Operating Activities:</b>		
Change in Net Assets	\$ 5,251,030	\$ 1,298,694
Items not requiring (providing Cash)		
Depreciation	231,312	209,278
Donated Services for Purchase of Property	0	(25,000)
Income from Forgiveness of Debt	(833,108)	0
Changes in		
Accounts Receivable	(449,108)	19,648
Contract 340B Receivables	(6,192)	(9,135)
Grants Receivable	(689,154)	90,600
Inventory	4,968	(22,167)
Prepaid Expenses	5,135	(7,862)
Grants Receivable - Long-Term	(957,700)	(59,400)
Accounts Payable	107,143	7,112
Accrued Payroll Liabilities	54,593	50,918
Accrued Compensated Absences	(7,393)	10,483
Refundable Advance - Provider Relief	(169,255)	169,255
Net Cash Flows from Operating Activities	<u>2,542,271</u>	<u>1,732,424</u>
<b>Investing Activities:</b>		
Purchases of Property and Equipment	(553,120)	(109,179)
Purchases of Short - Term Investments	0	(1,000,000)
Proceeds from the Sale of Short - Term Investments	1,000,000	0
Net Cash Flows from Investing Activities	<u>446,880</u>	<u>(1,109,179)</u>
<b>Financing Activities:</b>		
Issuance of Note Payable	0	833,108
Net Cash Flows from Investing Activities	<u>0</u>	<u>833,108</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>2,989,151</u>	<u>1,456,353</u>
Cash and Cash Equivalents at Beginning of The Year	3,663,982	2,207,629
<b>Cash and Cash Equivalents at End of The Year</b>	<u><b>\$ 6,653,133</b></u>	<u><b>\$ 3,663,982</b></u>
Interest Paid	\$ 25,453	\$ 26,842

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



**RUTHERFORD COUNTY PRIMARY CARE CLINIC, INC.**  
**(d/b/a PRIMARY CARE AND HOPE CLINIC)**

Notes to Financial Statements

June 30, 2021 and 2020

(1) Nature of the Business and Summary of Significant Accounting Policies

(a) Nature of The Business

Rutherford County Primary Care Clinic, Inc. (d/b/a/ Primary Care and Hope Clinic) (the Organization) is a not-for-profit corporation organized under the laws of the State of Tennessee. The Organization provides outpatient health care services and qualifies as a Federally Qualified Health Center (FQHC). The Organization is principally funded through payments from Medicare, Medicaid, private insurance and patients. Funding is also obtained through support provided by the Department of Health and Human Services, Health Resource and Services Administration (HRSA) and through other third-party grants and contributions.

(b) Basis of Presentation

The financial statements of the Organization have been prepared on an accrual basis and 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, whereby 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. Restrictions met in the same period of contribution are reported as net assets without donor restriction.

(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, 2021 and 2020, cash equivalents consisted primarily of insured cash sweep accounts. At June 30, 2021, approximately \$1.58 million of balances exceeded Federal Deposit Insurance Coverage and were not otherwise secured by Federal Securities.

(d) Accounts Receivable

Patient accounts receivable include amounts due from federal and state agencies (under the Medicare and Medicaid programs), commercial insurance companies, and patients. These receivables are subject to explicit and implicit discounts based on contractual agreements, discount policies, and management's assessment of historical experience. These discounts are reflected in the period of services.

**RUTHERFORD COUNTY PRIMARY CARE CLINIC, INC.**  
**(d/b/a PRIMARY CARE AND HOPE CLINIC)**

Notes to Financial Statements

June 30, 2021 and 2020

(e) Grants and Contributions Receivable

Receivables for grants, such as Federal grants and other grants and contributions, are recognized as support if the donor communicates an unconditional promise to give to the Organization. Conditional promises to give are not recognized as support until the donor's conditions are substantially met. Contributions that are restricted by the donor (e.g., as to the passage of time or use for a specific purpose), are reported as increases in net assets with donor restrictions. Upon satisfaction or expiration of a donor restriction, the applicable net assets are reclassified to net assets without donor restrictions.

Contributions are recorded at fair value on the date received. The fair value of an unconditional promise to give to the Organization that is expected to be received after one year is deemed to be equal to its estimated present value based on a risk-free interest rate for issues with a similar maturity.

(f) Investments

The Organization reports investments in equity securities having readily determinable fair values at fair value. These investments are reported in accordance with the fair value measurement and disclosure topic of the Financial Accounting Standards Board, which establishes a framework for measuring value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets and the lowest priority to unobservable inputs.

The three levels of the fair value hierarchy are as follows: Level 1 – inputs to the valuation are unadjusted quoted prices for identical assets in active markets, Level 2 – inputs to the valuation are quoted prices or observable inputs for similar assets in active or inactive markets, and Level 3 – inputs to the valuation are unobservable. Changes in valuation techniques could result in transfers in or out of an assigned level within the hierarchy. There were no changes in the Organization's valuation techniques during the years ended June 30, 2021 and 2020.

Investment income, including unrealized gains or losses earned on investments, is recognized as income without donor restriction unless specifically restricted by the donor.

(g) Inventory

Inventories consist of 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, 2021 and 2020 were \$63,388 and \$68,356, respectively.

**RUTHERFORD COUNTY PRIMARY CARE CLINIC, INC.**  
**(d/b/a PRIMARY CARE AND HOPE CLINIC)**

Notes to Financial Statements

June 30, 2021 and 2020

(h) 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 \$5,000. 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.

(i) Revenue

To determine the appropriate revenue recognition policy, the Organization assesses whether the transaction is an exchange or non-exchange transaction in accordance with accounting standards. In general, an exchange transaction consists of an exchange of goods and/or services for commensurate value. Transactions that consist of transferring goods and/or services without receiving commensurate value in return are considered non-exchange transactions.

Revenue from Exchange Transactions: Revenue related to exchange transactions is recognized as goods and/or services are provided and is based on the amount expected to be received in exchange for those goods and/or services. Revenue recognized as exchange transactions primarily includes net patient service revenue and pharmacy revenue.

Revenue from Non-Exchange Transactions: Non-exchange transactions include contributions and grants for which the transferor does not receive commensurate value in return for the funding. Revenue recognized as non-exchange transactions primarily include Federal grant revenue and other grants and contributions revenue.

The Organization recognizes patient service revenue in the period in which performance obligations under its contracts are satisfied by transferring services to patients. All services are performed in an outpatient setting, and the Organization measures the performance obligation on the date of the outpatient visit. Bills to patients and third-party payers are generally sent within a few days or weeks of the outpatient visit.

**RUTHERFORD COUNTY PRIMARY CARE CLINIC, INC.**  
**(d/b/a PRIMARY CARE AND HOPE CLINIC)**

Notes to Financial Statements

June 30, 2021 and 2020

The Organization maintains agreements with The Centers for Medicare and Medicaid Services under the programs that govern payments for services rendered to patients covered by these agreements. The agreements generally provide for per case or per diem rates or payments based on discounted charges or fee schedules. Certain contracts also provide for payments that are contingent upon meeting agreed upon quality and efficiency measures.

The Organization recognizes net patient service revenue associated with services provided to patients who have third-party payer coverage based on contractual rates for the services rendered.

The Organization also provides either full or partial charity care to patients who cannot afford to pay for their medical services based on income and family size. Charity care is generally available to qualifying patients for medically necessary services. As there is no expectation of collection, there is no net patient service revenue recorded related to charity care. The cost of providing charity care for the fiscal years ended 2021 and 2020 was \$859,365 and \$916,857, respectively.

For uninsured patients that do not qualify for charity care, the Organization recognizes revenue based on its standard rates (subject to discounts) for services provided. Based on historical experience, a significant portion of uninsured patients are unable or fail to pay for the services provided.

Consequently, the Organization determined it has provided implicit discounts to uninsured patients. These discounts represent the difference between amounts billed to patients and amounts expected to be collected based on historical experience.

(j) 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.

(k) 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.

**RUTHERFORD COUNTY PRIMARY CARE CLINIC, INC.**  
**(d/b/a PRIMARY CARE AND HOPE CLINIC)**

Notes to Financial Statements

June 30, 2021 and 2020

(l) Estimated Amounts

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts of assets and liabilities and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and such differences could be material. Significant estimates used by management in preparing these financial statements principally include those assumed in establishing the implicit discounts associated with accounts receivable and the estimated useful lives of property and equipment.

(m) Concentration of Credit and Market Risk

Financial instruments that potentially expose the Organization to concentrations of credit and market risk consist primarily of patient accounts receivable, which consists of amounts owed by various governmental agencies, insurance companies, and self-pay patients. The Organization manages credit risk related to receivables by recording revenue net of implicit discounts.

(n) Reclassifications

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

(2) Fair Value of Financial Instruments

Fair values of the Organization's financial instruments (principally cash and cash equivalents, short-term investments, accounts receivable, contract 340B receivables, and grants receivable) are summarized in the accompanying Statements of Financial Position. Significant fair value measurement principles and assumptions used by the Organization are described in Note 1.

(3) Availability and Liquidity

The following represents the Organization's financial assets at June 30, 2021 and 2020 that were available for general expenditures:

	<u>2021</u>	<u>2020</u>
Cash and Cash Equivalents	\$ 6,653,133	\$ 3,663,982
Short - Term Investments	0	1,000,000
Accounts Receivable	845,930	396,822
Contract 340B Receivables	67,765	61,573
Grants Receivable	<u>829,611</u>	<u>140,457</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 8,396,439</u>	<u>\$ 5,262,834</u>

The Organization's goal is generally to maintain financial assets to meet 90 days of operating expenses (approximately \$2.2 million). As part of its liquidity plan, excess cash may be invested in short-term investments, including money market accounts and certificates of deposit.

**RUTHERFORD COUNTY PRIMARY CARE CLINIC, INC.**  
**(d/b/a PRIMARY CARE AND HOPE CLINIC)**

Notes to Financial Statements

June 30, 2021 and 2020

**(4) Accounts Receivable**

At June 30, 2021 and 2020, the Organization's accounts receivables were comprised of balances due from the following sources:

	<b>2021</b>	<b>2020</b>
Medicare	\$ 67,166	\$ 44,300
Medicaid	633,843	240,811
Commercial Insurance	135,472	111,170
Self Pay	<u>9,449</u>	<u>541</u>
Total Accounts Receivable	<u>\$ 845,930</u>	<u>\$ 396,822</u>

**(5) Grants Receivable**

The Organization is funded through grants from various organizations. Current receivables related to these grants are comprised of the following as of June 30:

	<b>2021</b>	<b>2020</b>
Federal Grant Receivable	\$ 260,805	\$ 0
Tennessee SafetyNet Contract	43,806	53,251
Capital Grants Receivable	525,000	85,000
Other Grants and Contracts	<u>0</u>	<u>2,206</u>
Total	<u>\$ 829,611</u>	<u>\$ 140,457</u>

There is no allowance for uncollectible receivables or discount related to these balances at June 30, 2021 or June 30, 2020.

In addition, two unconditional promises to give capital grants were made to the Organization prior to June 30, 2021 for which the related donors have promised to give the Organization a total of \$500,000 and \$525,000 during the fiscal years ending June 30, 2024 and 2023, respectively. The Organization has discounted these promises to give using rates of 0.71% and 0.80%, respectively and recognized a total discount of \$7,900 at June 30, 2021. At June 30, 2020, the Organization recognized a discount of \$600 using a rate of 1.0% on long-term grants receivable of \$60,000.

**(6) Fair Value Measurements – Investments**

At June 30, 2020, the Organization held certificates of deposit (CDs) with interest at rates ranging from 0.75% to 1.00%. The methodology for measuring the value of CDs is cost, which approximates fair value. This method may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation method is appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

**RUTHERFORD COUNTY PRIMARY CARE CLINIC, INC.**  
**(d/b/a PRIMARY CARE AND HOPE CLINIC)**

Notes to Financial Statements

June 30, 2021 and 2020

The following table sets forth by level, within fair value hierarchy, the Organization's investments at fair value as of June 30, 2021 and 2020.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
June 30, 2021				
Certificates of Deposit	\$ 0	0	\$ 0	\$ 0
Total Investments, at Fair Value	<u>\$ 0</u>	<u>0</u>	<u>\$ 0</u>	<u>\$ 0</u>
June 30, 2020				
Certificates of Deposit	\$ 1,000,000	0	\$ 0	\$ 1,000,000
Total Investments, at Fair Value	<u>\$ 1,000,000</u>	<u>0</u>	<u>\$ 0</u>	<u>\$ 1,000,000</u>

(7) Property, Plant and Equipment

A summary of property and equipment at June 30, 2021 and 2020 is as follows:

	<u>2021</u>	<u>2020</u>
Building, and Building Improvements	\$ 5,147,713	\$ 5,147,713
Land	1,702,300	1,702,300
Furniture and Equipment	855,654	712,870
Electronic Medical Records	136,335	136,335
Construction in Process	529,624	160,192
Total	8,371,626	7,859,410
Less: Accumulated Depreciation	<u>(2,598,636)</u>	<u>(2,408,228)</u>
Property and Equipment, net	<u>\$ 5,772,990</u>	<u>\$ 5,451,182</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, 2021 and 2020 was \$231,312 and \$209,278.

(8) Notes Payable

On April 13, 2022, the Organization issued a \$833,108 note payable to Pinnacle Bank under the Paycheck Protection Program (PPP). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act), provides for loans to qualifying businesses that include a provision of forgiveness whereby borrowers will not be responsible for any loan payment if the proceeds are utilized for forgivable purposes described in the CARES Act. These purposes include payment of payroll costs, rent, and utility payments. On May 5, 2021, the Organization was notified by the U.S. Small Business Administration (SBA) that the note, along with all accrued and unpaid interest, had been forgiven. The related income from this debt forgiveness is included in the statements of activities and changes in net assets for the fiscal year ended June 30, 2021.

**RUTHERFORD COUNTY PRIMARY CARE CLINIC, INC.**  
**(d/b/a PRIMARY CARE AND HOPE CLINIC)**

Notes to Financial Statements

June 30, 2021 and 2020

(9) Operating Leases

The Organization has two leases with Thompson Properties of Middle Tennessee for clinic space. These leases are on a 24-month term with payments totaling \$4,475 per month through March 31, 2023.

The Organization has a lease with North Professional Center for clinic space. This lease is on a 24-month term requiring payments of \$2,520 per month. The lease expires on September 30, 2022.

At June 30, 2021, future lease payments total \$47,835 and \$83,940 for the fiscal years ending June 30, 2023 and 2022, respectively.

(10) Provider Relief Funds

During the years ended June 30, 2021 and 2020, the Organization received \$0 and \$169,255, respectively, of Provider Relief Funds as part of the Coronavirus Aid, Relief, and Economic Security (CARES) Act. These funds are not subject to repayment, provided that the Organization is able to demonstrate that the distributions received have been used for qualifying expenses or lost profit attributable to COVID-19. Based on the Organization's revenues and expenses, including COVID-19-related expenses reimbursed by other sources, the Organization earned \$169,255 and \$0 during the fiscal years ended June 30, 2021 and 2020. The revenue is included with federal grant revenue in the accompanying statements of activities and changes in net assets.

The extent of the COVID-19 pandemic on the Organization will continue to be affected by many factors, most of which are outside the Organization's control. The Organization cannot determine the effect that the pandemic will have on its operations or on significant accounting estimates within its financial statements.

(11) 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:

	<u>2021</u>	<u>2020</u>
Capital Expansion	\$ 2,108,324	\$ 424,900
Provider Incentives	<u>0</u>	<u>9,809</u>
Total Net Assets With Donor Restriction	<u>\$ 2,108,324</u>	<u>\$ 434,709</u>



**RUTHERFORD COUNTY PRIMARY CARE CLINIC, INC.**  
**(d/b/a PRIMARY CARE AND HOPE CLINIC)**

Notes to Financial Statements

June 30, 2021 and 2020

(12) Net Patient Revenue

The following summarizes net patient service revenue, net of contractual allowances and discounts by significant payer for the years ended June 30, 2021 and 2020:

	<u><b>2021</b></u>	<u><b>2020</b></u>
Medicare	\$ 973,322	\$ 734,397
Medicaid	2,250,848	2,205,898
Commercial Insurance	2,135,240	1,751,547
Self Pay	<u>716,188</u>	<u>742,271</u>
Total Net Patient Revenue	<u><u>\$ 6,075,598</u></u>	<u><u>\$ 5,434,113</u></u>

(13) Federal Grants

The Organization received federal grants in the amount of \$3,121,146 and \$1,945,660 of which all was obligated for the years ended June 30, 2021 and 2020, 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.

(14) 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><b>2021</b></u>	<u><b>2020</b></u>
Gross Receipts	\$ 2,711,408	\$ 2,424,394
Drug Replenishment and Other Costs	<u>(1,612,055)</u>	<u>(1,284,062)</u>
Net 340B Revenue	<u><u>\$ 1,099,353</u></u>	<u><u>\$ 1,140,332</u></u>

The 340B gross receipts are included in contract 340B revenue and net 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.

**RUTHERFORD COUNTY PRIMARY CARE CLINIC, INC.**  
**(d/b/a PRIMARY CARE AND HOPE CLINIC)**

Notes to Financial Statements

June 30, 2021 and 2020

(15) Contributions

The Organization received contributions of \$337,297 and \$350,190 during the years ended June 30, 2021 and 2020. A summary of the contributions are as follows:

The Organization received donated pharmaceuticals to be disbursed to indigent patients. The estimated fair value of these donations recognized by the Organization during the years ended June 30, 2021 and 2020 was \$274,975 and \$295,696, respectively.

During the year ended June 30, 2021, the Organization received various donations of personal protective equipment (PPE), COVID-19 testing kits, and medical equipment. The estimated fair market value of these contributions was \$32,479.

The Organization also received cash donations for the years ended June 30, 2021 and 2020 of \$29,843 and \$24,350, respectively, from individuals and other organizations.

The Organization also received labor and services from volunteers who donated their time and efforts to the Organization's program during the year ended June 30, 2020. These services were valued at the prevailing wage rate for similar services provided in the community. The fair market value for these donated services was \$30,144. There were no donated services received during the year ended June 30, 2021.

(16) 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.

(17) Retirement Plan

The Organization sponsors a 401(k) 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 expense recognized by the Organization during the years ended June 30, 2021 and 2020 totaled \$105,820 and \$110,023, respectively.

(18) Significant Source of Revenue

Approximately 26% and 21% of the Organization's revenue for the fiscal years ended June 30, 2021 and 2020, respectively was attributable to the U.S. Department of Health and Human Services grant awards. The Organization is dependent on this continued funding and the absence of these grants could possibly have a negative effect on operations.

**RUTHERFORD COUNTY PRIMARY CARE CLINIC, INC.**  
**(d/b/a PRIMARY CARE AND HOPE CLINIC)**

Notes to Financial Statements

June 30, 2021 and 2020

(19) 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.

(20) 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."

(21) 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.

(22) Future Accounting Changes

The Financial Accounting Standards Board issued Accounting Standards Update 2016-02, *Leases (Topic 842)*, which it believes will improve the current reporting requirements. Under the new standard, lessees will now be required to recognize substantially all leases on the statements of financial position as both a right-of-use asset and a liability. The new standard is effective for annual periods beginning after December 15, 2021. The Organization has not yet determined the effect these changes will have on its financial statements.

**SUPPLEMENTAL SCHEDULES**

**RUTHERFORD COUNTY PRIMARY CARE CLINIC, INC.**  
**(d/b/a PRIMARY CARE AND HOPE CLINIC)**

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2021

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
<b><u>U.S. Department of Health and Human Services</u></b>				
Health Center Program Cluster				
Grants for New and Expanded Service				
Under the Health Center Program	93.527	N/A	N/A	\$ 612,037
<i>Grant No. H80CS 24156</i>				
Health Center Program (Community Health Centers, Migrant Health, Health Care for the Homeless, and Public Housing Primary Care)	93.224	N/A	N/A	1,130,922
<i>Grant No. H80CS 24156</i>				
COVID-19 Health Center Program (Community Health Centers, Migrant Health, Health Care for the Homeless, and Public Housing Primary Care)	93.224	N/A	N/A	<u>1,208,932</u>
<i>Grant No. H8CCS 35303, H8DCS 36190, H8ECS 38807, and H8FCS 40791</i>				
Total Health Center Program Cluster				\$ 2,951,891
COVID-19 Provider Relief Fund	93.498	N/A	N/A	<u>169,255</u>
<b>Total Federal Grants</b>				<b><u>\$ 3,121,146</u></b>

**RUTHERFORD COUNTY PRIMARY CARE CLINIC, INC.**  
**(d/b/a PRIMARY CARE AND HOPE CLINIC)**

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2021

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. (d/b/a/ Primary Care and Hope Clinic) under programs of the federal government for the year ended June 30, 2021. 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. (d/b/a/ Primary Care and Hope Clinic), 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. (d/b/a/ Primary Care and Hope Clinic)

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. The Organization 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. (d/b/a/ Primary Care and Hope Clinic) which comprise the statements of financial position as of June 30, 2021, 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 October 15, 2021.

### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Rutherford County Primary Care Clinic, Inc.'s (d/b/a/ Primary Care and Hope Clinic) 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 (d/b/a/ Primary Care and Hope Clinic) internal control. Accordingly, we do not express an opinion on the effectiveness of Rutherford County Primary Care Clinic, Inc.'s (d/b/a/ Primary Care and Hope Clinic) 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.

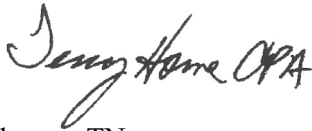
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, **during our audit we did not 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 (d/b/a/ Primary Care and Hope Clinic) 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.**

## 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.

A handwritten signature in black ink, appearing to read "Jenny Hume CPA". The signature is written in a cursive, flowing style.

Lebanon, TN  
October 15, 2021





**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 (d/b/a/ Primary Care and Hope Clinic) 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 (d/b/a/ Primary Care and Hope Clinic) major federal programs for the year ended June 30, 2021. Rutherford County Primary Care Clinic, Inc. (d/b/a/ Primary Care and Hope Clinic) 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 (d/b/a/ Primary Care and Hope Clinic) 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 (d/b/a/ Primary Care and Hope Clinic) 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 (d/b/a/ Primary Care and Hope Clinic) compliance.

***Opinion on Each Major Federal Program***

**In our opinion, Rutherford County Primary Care Clinic, Inc. (d/b/a/ Primary Care and Hope Clinic) 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, 2021.**

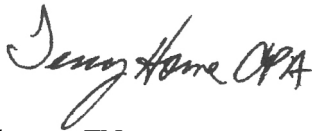
## Report on Internal Control Over Compliance

Management of Rutherford County Primary Care Clinic, Inc. (d/b/a/ Primary Care and Hope Clinic) 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 (d/b/a/ Primary Care and Hope Clinic) 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 (d/b/a/ Primary Care and Hope Clinic) 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  
October 15, 2021

**RUTHERFORD COUNTY PRIMARY CARE CLINIC, INC.  
(d/b/a PRIMARY CARE AND HOPE CLINIC)**

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2021

**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.**  
**(d/b/a PRIMARY CARE AND HOPE CLINIC)**

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2021

**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.**  
**(d/b/a PRIMARY CARE AND HOPE CLINIC)**

Summary Schedule of Prior Year Audit Findings

June 30, 2021

There were no findings in the prior year audit.