

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

June 30, 2014 and 2013

(With Independent Auditor's Report Thereon)

RUTHERFORD COUNTY PRIMARY CARE CLINIC, INC.

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of Rutherford County Primary Care Clinic, Inc. (the Organization) which comprise the statement of financial position as of June 30, 2014 and 2013, and the related statements of activities, and cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Rutherford County Primary Care Clinic, Inc. as of June 30, 2014 and 2013, and the changes in its net assets and its cash flows for the 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 Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations 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 information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 5, 2014 on our consideration of Rutherford County Primary Care Clinic, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* considering Rutherford County Primary Care Clinic, Inc.'s internal control over financial reporting and compliance.

A handwritten signature in black ink, reading "Jenny Hume CPA". The signature is written in a cursive, flowing style. The letters "J", "H", and "C" are capitalized and prominent. The signature is located within a light gray rectangular box.

Lebanon, TN
September 5, 2014

RUTHERFORD COUNTY PRIMARY CARE CLINIC, INC.

Statement of Financial Position

June 30, 2014 and 2013

ASSETS

| | <u>2014</u> | <u>2013</u> |
|--|--------------------------------|--------------------------------|
| <i>Current Assets</i> | | |
| Cash | \$ 1,609,144 | \$ 1,025,461 |
| Accounts Receivable Net (Note 4) | 74,085 | 55,242 |
| Grants and Contracts Receivable (Note 5) | 144,478 | 378,751 |
| Prepaid Expenses | 29,673 | 22,104 |
| <i>Total Current Assets</i> | <u>1,857,380</u> | <u>1,481,558</u> |
| <i>Property and Equipment</i> | | |
| Property and Equipment, at Cost, | | |
| Net of Accumulated Depreciation (Note 6) | <u>4,786,140</u> | <u>4,893,794</u> |
| <i>Total Property and Equipment</i> | <u>4,786,140</u> | <u>4,893,794</u> |
| Total Assets | <u>\$ 6,643,520</u> | <u>\$ 6,375,352</u> |

LIABILITIES AND NET ASSETS

| | | |
|---|--------------------------------|--------------------------------|
| <i>Current Liabilities</i> | | |
| Accounts Payable | \$ 35,927 | \$ 21,231 |
| Accrued Compensated Absences | 110,776 | 99,250 |
| Accrued Wages | 85,455 | 68,486 |
| Payroll Liabilities | 6,537 | 4,871 |
| <i>Total Current Liabilities</i> | <u>238,695</u> | <u>193,838</u> |
| Total Liabilities | <u>238,695</u> | <u>193,838</u> |
| Net Assets - Unrestricted | <u>6,404,825</u> | <u>6,181,514</u> |
| Total Net Assets | <u>6,404,825</u> | <u>6,181,514</u> |
| Total Liabilities and Net Assets | <u>\$ 6,643,520</u> | <u>\$ 6,375,352</u> |

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

RUTHERFORD COUNTY PRIMARY CARE CLINIC, INC.

Statement of Activities

For The Years Ended June 30, 2014 and 2013

Support and Revenues:

| | <u>2014</u> | <u>2013</u> |
|---|--------------------|--------------------|
| Net Patient Revenue (Note 9) | \$ 1,428,209 | \$ 1,280,651 |
| Public Support - U.S. Department of Health and Human Services Operational Grant (Note 7) | 810,704 | 704,167 |
| Other Grants and Contracts (Note 8) | 404,393 | 514,161 |
| PPS and Safety Net Revenue | 571,390 | 722,461 |
| Contributions | 955,281 | 405,062 |
| Rent and Other Revenue | 15,448 | 21,372 |
| <i>Total Support and Revenues</i> | 4,185,425 | 3,647,874 |

Expenses:

| | | |
|-------------------------------------|------------------|------------------|
| Program Services Expenses | 2,592,114 | 1,805,523 |
| General and Administrative Expenses | 1,356,884 | 1,138,385 |
| Fundraising | 13,116 | 18,622 |
| <i>Total Expenses</i> | 3,962,114 | 2,962,530 |

**Excess (Deficiency) of Support and Revenues
Over Expenses from Operations**

| | |
|----------------|----------------|
| 223,311 | 685,344 |
|----------------|----------------|

Net Assets:

| | | |
|-----------------------------------|---------------------------|---------------------------|
| Beginning of Year | \$6,181,514 | \$5,496,170 |
| Change in Unrestricted Net Assets | 223,311 | 685,344 |
| End of Year | <u>\$6,404,825</u> | <u>\$6,181,514</u> |

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

RUTHERFORD COUNTY PRIMARY CARE CLINIC, INC.Statement of Functional Expenses
For The Years Ended June 30, 2014 and 2013

| | <u>Program Services</u> | <u>General and Administrative</u> | <u>Fundraising</u> | <u>2014 Total</u> | <u>2013 Total</u> |
|---------------------------------------|-----------------------------|---------------------------------------|-------------------------|----------------------------|----------------------------|
| Personnel | \$ 1,115,151 | \$ 892,207 | \$ - | \$ 2,007,358 | \$ 1,621,472 |
| Fringe Benefits | 203,447 | 159,851 | - | 363,298 | 262,841 |
| Contractual Services | 128,008 | 136,375 | - | 264,383 | 249,518 |
| Supplies | 69,654 | 26,003 | 13,116 | 108,773 | 150,358 |
| Donated Supplies | 783,845 | - | - | 783,845 | 240,869 |
| Travel and Training | 28,383 | 8,937 | - | 37,320 | 28,597 |
| Insurance | 19,949 | 6,650 | - | 26,599 | 27,258 |
| Communications, Telephone and Postage | 17,894 | 5,965 | - | 23,859 | 27,835 |
| Equipment Rent | - | 6,384 | - | 6,384 | 3,346 |
| Building Rent | 35,186 | - | - | 35,186 | 36,111 |
| Utilities | 65,525 | 21,842 | - | 87,367 | 83,822 |
| Depreciation | 101,625 | 67,288 | - | 168,912 | 194,880 |
| Maintenance and Repairs | 21,478 | 7,179 | - | 28,657 | 22,142 |
| Dues, Printing and Other | 1,969 | 18,204 | - | 20,173 | 13,481 |
| Total | <u><u>\$ 2,592,114</u></u> | <u><u>\$ 1,356,884</u></u> | <u><u>\$ 13,116</u></u> | <u><u>\$ 3,962,114</u></u> | <u><u>\$ 2,962,530</u></u> |

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

RUTHERFORD COUNTY PRIMARY CARE CLINIC, INC.

Statement of Cash Flows

For The Years Ended June 30, 2014 and 2013

Cash Flows from Operating Activities:

| | <u>2014</u> | <u>2013</u> |
|--|----------------------------|----------------------------|
| Excess (Deficiency) of Support and Revenues Over Expenses from Operations | \$ 223,311 | \$ 685,344 |
| Adjustments to Reconcile Net Income to Cash Provided from Operations: | | |
| Depreciation | 168,912 | 194,880 |
| (Increase) Decrease in Accounts Receivable | (18,843) | 5,851 |
| (Increase) Decrease in Other Receivables | 234,273 | (206,866) |
| (Increase) Decrease in Inventory | - | 23,101 |
| (Increase) Decrease in Prepaid Items | (7,569) | 1,800 |
| Increase (Decrease) in Accounts Payable | 14,697 | (25,076) |
| Increase (Decrease) in Accrued Payroll Liabilities | 1,666 | 203 |
| Increase (Decrease) in Accrued Wages | 16,969 | 7,464 |
| Increase (Decrease) in Accrued Compensated Absences | 11,526 | 7,034 |
| Net Cash Provided by Operating Activities: | <u>644,942</u> | <u>693,735</u> |
| Cash Flows Used in Investing Activities: | | |
| Purchases of Property, Plant and Equipment | (61,259) | (67,503) |
| Cash Used in Investing Activities | <u>(61,259)</u> | <u>(67,503)</u> |
| Net Increase (Decrease) in Cash | <u>583,683</u> | <u>626,232</u> |
| Cash at Beginning of The Year | 1,025,461 | 399,229 |
| Cash at End of The Year | <u>\$ 1,609,144</u> | <u>\$ 1,025,461</u> |

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

RUTHERFORD COUNTY PRIMARY CARE CLINIC, INC.

Notes to Financial Statements

June 30, 2014 and 2013

(1) Summary of Significant Accounting Policies

The financial statements of Rutherford County Primary Care Clinic, Inc. (the Organization) have been prepared on accrual basis. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

(a) Nature of The Business

Rutherford County Primary Care Clinic, Inc. is a not-for-profit corporation organized under the laws of the State of Tennessee doing business as Primary Care and Hope Clinic. The Organization provides outpatient health care services. Funding is obtained from various grants and contracts, and reimbursements from Medicare, Medicaid, private insurance, and payments from patients.

(b) Financial Statement Presentation

The Organization presents its financial statements in accordance with Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations* as promulgated by the Financial Accounting Standards Board. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, as required by SFAS No. 117, the Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

(c) Cash and Cash Equivalents

Cash and cash equivalents consist of cash held in checking and money market accounts and certificates of deposit with maturities of 90 days or less.

(d) Accounts Receivable

Included in patient receivables are amounts due from Medicare and Medicaid agencies. These payments are generally less than established billing rates, the difference being charged against revenue as revenue adjustments at the time the fee for service is recorded. Amounts from these agencies are determined under cost reimbursement formulas and redetermination by the agencies. Accounts receivables from patient fees, other than the above, may be reduced using a sliding fee scale due to a patient's inability to pay. These adjustments are based on income level and number of family members applied to the Federal poverty guidelines.

(e) Allowance for Uncollectible Receivables

The provision for uncollectible receivables is not recorded as an expense, but is treated as a reduction of the related revenue in the statement of activities. Based on computations within industry standards applied to test the reserve for uncollectible patient accounts, the estimates appear reasonable.

RUTHERFORD COUNTY PRIMARY CARE CLINIC, INC.

Notes to Financial Statements

June 30, 2014 and 2013

(f) 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.

(g) Recognition of Grant Income

Grant income is recognized over the grant period in relation to the expenditures incurred and services provided, as outlined in the grant documents. Cash received in excess of grant expenditures to date is recorded as deferred revenue, and an account receivable is recorded when allowable expenditures exceed cash received.

(h) Patient Service Revenue

Patient service revenue is recorded at amounts that the Organization anticipates collecting from Medicare, Medicaid, insurance, or individuals less a provision for uncollectible accounts. The rates charged individuals are determined by an income discount scale, which is based on the Federal poverty level guidelines.

(i) Contributions

In accordance with SFAS No. 116, *Accounting for Contributions Received and Contributions Made*, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities. Contributed property and equipment is recorded at fair value at the date of donation.

(j) 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.

Notes to Financial Statements

June 30, 2014 and 2013

(2) Fair Value of Financial Instruments

- A. Cash – The carrying amount reported is the reconciled bank account balances, which are considered to be fair values.
- B. Accounts Receivable – The carrying amount reported is the estimated net collectible amount, which is considered the fair value.
- C. Accounts Payable and Other Liabilities – The carrying amounts reported are the amounts equaled to the required payments. The reported amounts are considered the fair values.

(3) Cash and Cash Equivalents

The Organization is required to have collateral for all funds in excess of the FDIC maximum insured limit of \$250,000 per insured cash account. During the year ended June 30, 2014 the Organization did not have any instances with its depositories exceeding the FDIC limit.

(4) Accounts Receivable

Included in patient receivables are amounts due from Medicare, Medicaid, and private insurance companies. These payments are generally less than established billing rates, the difference being recorded as revenue adjustments at the time the fee for service is recorded.

Accounts receivable balances as of June 30, 2014 and 2013 are:

| | <u>2014</u> | <u>2013</u> |
|---|------------------|------------------|
| Patients Fees | \$115,038 | \$ 93,810 |
| Less Allowance for Uncollectible Accounts | <u>(40,953)</u> | <u>(38,568)</u> |
| Accounts Receivable, Net | <u>\$ 74,085</u> | <u>\$ 55,242</u> |

(5) Grants and Contracts Receivable

The Organization is funded through grants and contracts with various organizations. As of June 30, 2014 and 2013 the contracts receivable consisted of the following:

| | <u>2014</u> | <u>2013</u> |
|-----------------------------------|------------------|------------------|
| Tennessee Safetynet Contract | \$107,485 | \$ 47,150 |
| Prospective Payment System | 30,351 | 316,530 |
| Middle Tennessee State University | - | 12,263 |
| City of Murfreesboro Block Grant | <u>1,560</u> | <u>2,808</u> |
| Grants and Contracts Receivable | <u>\$139,396</u> | <u>\$378,751</u> |

RUTHERFORD COUNTY PRIMARY CARE CLINIC, INC.

Notes to Financial Statements

June 30, 2014 and 2013

(6) Property, Plant and Equipment

A summary of fixed assets at June 30, 2014 and 2013 is as follows:

| | <u>2014</u> | <u>2013</u> |
|------------------------------------|--------------------|--------------------|
| Building | \$4,517,057 | \$4,509,879 |
| Land | 762,300 | 762,300 |
| Furniture and Equipment | 549,506 | 523,394 |
| Electronic Medical Records | <u>136,335</u> | <u>136,335</u> |
| Total | 5,965,198 | 5,931,908 |
| Less Accumulated Depreciation | <u>(1,179,058)</u> | <u>(1,038,114)</u> |
| Property, Plant and Equipment, Net | <u>\$4,786,140</u> | <u>\$4,893,794</u> |

Property and equipment is depreciable on a straight line basis over the estimated useful life. The depreciation for the fiscal years ended June 30, 2014 and 2013 was \$168,912 and \$194,880.

(7) Grant Support

The Organization received grants from the U.S. Department of Health and Human Services in the amount of \$810,704 and \$704,167 of which all was obligated for the years ended June 30, 2014 and 2013, respectively. Under the terms of this grant the Organization is required to comply with certain federal guidelines and the grantor retains a residual interest in assets acquired with grant funds.

(8) Other Grant and Contracts Support

The Organization received funding from various sources for the fiscal year ended June 30, 2014 and 2013. A summary of non-federal grants and contracts are as follows:

| | <u>2014</u> | <u>2013</u> |
|-----------------------------------|------------------|------------------|
| State of Tennessee | \$ 89,250 | \$ 93,500 |
| Middle Tennessee Medical Center | 57,000 | 117,000 |
| HCA Foundation | 50,000 | 50,000 |
| Rutherford County Grant | 50,000 | 50,000 |
| Middle Tennessee State University | - | 49,004 |
| United Way Grant | 60,126 | 50,773 |
| Baptist Healing Trust | 48,750 | 65,000 |
| Komen Foundation | 16,043 | 10,000 |
| City of Murfreesboro | 26,224 | 26,224 |
| Other Sources | <u>7,000</u> | <u>2,660</u> |
| Total | <u>\$404,393</u> | <u>\$514,161</u> |

RUTHERFORD COUNTY PRIMARY CARE CLINIC, INC.

Notes to Financial Statements

June 30, 2014 and 2013

(9) Net Patient Revenue

A summary of net patient revenue at June 30, 2014 and 2013 is as follows:

| | <u>2014</u> | <u>2013</u> |
|--|--------------------|--------------------|
| Patient Fees | \$2,761,362 | \$2,496,183 |
| Less Sliding Fee and Other Adjustments | <u>(1,333,153)</u> | <u>(1,215,532)</u> |
| Net Revenue | <u>\$1,428,209</u> | <u>\$1,280,651</u> |

(10) Operating Lease

The Organization leases clinic space from HCA Health Services of Tennessee on a 24 month lease with payments of \$2,908 per month for the first twelve months and \$2,982 per month for the remainder of the lease. As summary of lease obligations over the next five years are as follows:

| | |
|---------------|------------------|
| June 30, 2015 | \$23,849 |
| June 30, 2016 | - |
| June 30, 2017 | - |
| June 30, 2018 | - |
| June 30, 2019 | - |
| Total | <u>\$ 23,849</u> |

(11) Retirement Plan

The Organization sponsors a 401k retirement plan. All employees are eligible to participate after attainment of age 21 and one year of service. The Organization matches employee contributions up to 3% of eligible employee wages to the plan. The retirement expenses for the years ended June 30, 2014 and 2013 were \$28,126 and \$26,685, respectively.

(12) Significant Source of Revenue

Approximately 19% of revenue was attributable to the U.S. Department of Health and Human Services grant award for the audit period. The Organization is dependent on this continued funding and the absence of these grants could possibly have a negative effect on operations.

(13) Charity Care

The Organization provides medical services to patients who qualify under federal guidelines and other corporate policies of the Center at fees less than established rates. The amount of charity care is reduced from the amount of fees for services presented in the statement of activities. The charity amount calculation is based on the Center's standard billing rates for services provided. These fees approximate the total cost of providing charity care. The amount of charity care for the fiscal year ended 2014 and 2013 was \$797,797 and \$666,432 respectively.

RUTHERFORD COUNTY PRIMARY CARE CLINIC, INC.

Notes to Financial Statements

June 30, 2014 and 2013

(14) 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.

(15) Subsequent Events

Management has evaluated the events and transactions subsequent to the statement of financial position through the date of the auditor's report (the date the financial statements were available to be issued) for potential recognition or disclosure in the financial statements. Management has not identified any items requiring recognition or disclosure.

SUPPLEMENTAL SCHEDULES

RUTHERFORD COUNTY PRIMARY CARE CLINIC, INC.

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2014

| <u>FEDERAL GRANTOR PROGRAM TITLE</u> | <u>FEDERAL CFDA NUMBER</u> | <u>FEDERAL EXPENDITURES</u> |
|---|------------------------------------|---------------------------------|
| <u>U.S. Department of Health and Human Services</u> | | |
| Health Center Cluster | 93.527 | <u>\$810,704</u> |
| Affordable Care Act-Grants for Expanded Service Under Health Center Program <i>Grant No. H80CS24156</i> | | |
| Total Federal Grants | | <u>\$810,704</u> |

Note to Schedule of Expenditures of Federal Awards

Note A- Basis of Presentation

The accompanying schedule of federal awards includes the federal grant activity of Rutherford County Primary Care Clinic, Inc. and is presented in the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

RUTHERFORD COUNTY PRIMARY CARE CLINIC, INC.

Schedule of Findings, Questioned Costs, and Corrective Action Plan

For the Year Ended June 30, 2014

Section A-Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified
Internal control over financial reporting:
 Significant Deficiency disclosed? _____yes X no
 Significant Deficiencies reported
 as Material Weaknesses? _____yes X no
Noncompliance material to financial statements noted? _____yes X no

Federal Awards

Internal Control over major programs:
 Significant Deficiency identified? X yes _____no
 Significant Deficiencies reported
 as Material Weaknesses? _____yes X no

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

Any audit findings disclosed that are required
to be reported in accordance with
Circular A-133, Section.510(a)? X yes _____no

Identification of major programs:

CFDA Number

Name of Federal Program

93.527

Health Center Cluster
Affordable Care Act-Grants for
Expanded Service Under Health Center Program

Dollar threshold used to distinguish
between Type A and Type B programs: \$300,000

Auditee qualified as **low-risk** auditee? _____yes X no

RUTHERFORD COUNTY PRIMARY CARE CLINIC, INC.

Schedule of Findings, Questioned Costs, and Corrective Action Plan

For the Year Ended June 30, 2014

Section B- Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with paragraphs 5.18 through 5.20 of Government Auditing Standards.

None reported

Section C-Federal Award Findings and Questioned Costs

This section identifies the audit findings required to be reported by Circular A-133, Section .510(a), significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs.

Significant Deficiencies

Finding: 2014-001 - Patient Discounts & Patient Revenue

Federal Programs: U.S. Department of Health and Human Services
Affordable Care Act-Grants for Expanded Service Under
Health Center Program, CFDA 93.527
Grant Number H80CS24156

Condition: Procedures have not been developed to ensure that patient income and sliding fee discounts are correctly calculated. During the audit it was noted that four patients received incorrect discounts due to incorrect calculation of annual income.

Criteria: OMB Circular A-133, Compliance Supplement

Context: Forty sliding fee transactions were selected for review. Subsequent tests and analysis revealed significant errors noted above.

Cause: It appears that the above exceptions resulted primarily from failure to follow established policies and procedures related to sliding fee discounts.

Effect: The weakness in internal control over patient discounts could result in incorrect discount determinations and loss of revenue.

Recommendation: We recommend that personnel be trained to follow established eligibility policies and procedures and periodic audits of patient financial data should be performed to ensure compliance with established procedures. Retraining of personnel should be performed on a regular basis.

RUTHERFORD COUNTY PRIMARY CARE CLINIC, INC.

Schedule of Findings, Questioned Costs, and Corrective Action Plan

For the Year Ended June 30, 2014

Auditee's Response and Corrective Action Plan: Procedures will be established to ensure that personnel are properly trained to ensure that sliding fee applications are maintained and patient income and related discounts are correctly calculated for all patients receiving sliding fee discounts.

Contact Person: Shane Smith, CFO

Anticipated Date of Completion: September 30, 2014

Questioned Costs-None



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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

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Rutherford County Primary Care Clinic, Inc. which comprise the statement of financial position as of June 30, 2014, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 5, 2014.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Rutherford County Primary Care Clinic, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. **The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.**

We noted certain matters that we reported to management of Rutherford County Primary Care Clinic, Inc. in a separate letter dated September 5, 2014.

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 that reads "Jenny Hume CPA". The signature is written in a cursive style with a large initial "J" and "H".

Lebanon, TN
September 5, 2014



TERRY L. HORNE, CPA

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**Report on Compliance With Requirements Applicable to Each Major Program
Program And on Internal Control Over Compliance in Accordance with OMB Circular A-133**

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

We have audited Rutherford County Primary Care Clinic, Inc.'s compliance with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Rutherford County Primary Care Clinic, Inc.'s major federal programs for the year ended June 30, 2014. Rutherford County Primary Care Clinic, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Rutherford County Primary Care Clinic, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Rutherford County Primary Care Clinic, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Rutherford County Primary Care Clinic, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Rutherford County Primary Care Clinic, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal program for the year ended June 30, 2014.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 2014-001. Our opinion on each major federal program is not modified with respect to these matters.

Rutherford County Primary Care Clinic, Inc.'s response to the noncompliance findings identified in our audit are described in the accompanying, schedule of findings and questioned costs. Rutherford County Primary Care Clinic, Inc.'s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of Rutherford County Primary Care Clinic, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Rutherford County Primary Care Clinic, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Rutherford County Primary Care Clinic, Inc.'s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses.

However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2014-001 that we consider to be significant deficiencies.

Rutherford County Primary Care Clinic, Inc.'s response to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Rutherford County Primary Care Clinic, Inc.'s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink, reading "Jany Hame CPA". The signature is written in a cursive style with a large initial "J".

Lebanon, TN
September 5, 2014

RUTHERFORD COUNTY PRIMARY CARE CLINIC, INC.

Summary Schedule of Prior Year Audit Findings

June 30, 2014

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