

**SALVUS CENTER, INC.**  
**AUDITED FINANCIAL STATEMENTS**  
**JUNE 30, 2020 and 2019**

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# MCMURRAY, FOX & ASSOCIATES, PLLC CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Salvus Center, Inc.

We have audited the accompanying financial statements of Salvus Center, Inc. (a nonprofit organization), which comprise the statements of assets, liabilities, and net assets – modified cash basis as of June 30, 2020 and 2019, and the related statements of support, revenue, and expenses – modified cash basis, functional expenses – modified cash basis and cash flows – modified cash basis for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting as described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 assets, liabilities, and net assets of Salvus Center, Inc. as of June 30, 2020 and 2019, and its support, revenue and expenses, and cash flows for the years then ended in accordance with the modified cash basis of accounting as described in Note 1.

### **Emphasis of Matter**

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

As more fully described in Note 2 to the financial statements, the Center applied for and received funds from the Payroll Protection Plan (PPP) in response to the impact of the outbreak of the novel coronavirus (COVID-19), which was declared a global pandemic by the World Health Organization in March 2020. Our opinion is not modified with respect to this matter.

*McMurray, Fox & Associates*

McMurray, Fox & Associates, PLLC  
Hendersonville, Tennessee  
December 31, 2020

**SALVUS CENTER, INC.**  
**STATEMENTS OF ASSETS, LIABILITIES AND NET ASSETS - MODIFIED CASH BASIS**  
**AS OF JUNE 30, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents, \$1,000 and \$0 restricted, respectively	\$ 88,936	\$ 40,457
Prepaid assets	380	380
Total current assets	<u>89,316</u>	<u>40,837</u>
<b>Property and equipment</b>		
Land	277,979	277,979
Building	425,732	425,732
Building improvements	41,276	41,276
Medical office equipment, furniture & fixtures	141,746	141,746
Software	38,318	38,318
	<u>925,051</u>	<u>925,051</u>
Less: accumulated depreciation	(299,984)	(282,731)
Net property and equipment	<u>625,067</u>	<u>642,320</u>
 Total assets	 <u><u>\$ 714,383</u></u>	 <u><u>\$ 683,157</u></u>
 <b>Liabilities and net assets</b>		
<b>Current liabilities</b>		
Accrued liabilities	\$ 1,098	\$ 1,547
Unearned rental revenue	1,050	1,050
Line of credit	16,138	9,632
Refundable - PPP funds	25,546	-
Total current liabilities	<u>43,832</u>	<u>12,229</u>
 Total liabilities	 <u>43,832</u>	 <u>12,229</u>
 Net assets without donor restrictions	 669,551	 670,928
Net assets with donor restrictions	1,000	-
Total net assets	<u>670,551</u>	<u>670,928</u>
 Total liabilities and net assets	 <u><u>\$ 714,383</u></u>	 <u><u>\$ 683,157</u></u>

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

**SALVUS CENTER, INC.**
**STATEMENTS OF SUPPORT, REVENUE, EXPENSES, AND CHANGES IN NET ASSETS - MODIFIED CASH BASIS  
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Without Donor</u> <u>Restriction</u>	<u>With Donor</u> <u>Restriction</u>	<u>Total</u>
Revenues			
Non-government grant/donations	\$ 227,852	\$ -	\$ 227,852
Government grants	111,655	-	111,655
Conditional grant	69,851	-	69,851
Patient fees	94,490	-	94,490
Contract service fees	11,812	-	11,812
Individual/business contributions	40,949	1,000	41,949
In-kind donations	12,000	-	12,000
Fundraisers	50,143	-	50,143
Rental income	24,189	-	24,189
Interest	50	-	50
Total revenues	642,991	1,000	643,991
Expenses			
Program services	503,048	-	503,048
Total program services	503,048	-	503,048
Supporting services			
Management and general	64,197	-	64,197
Fundraising	77,123	-	77,123
Total supporting services	141,320	-	141,320
Total expenses	644,368	-	644,368
Increase (decrease) in net assets	(1,377)	1,000	(377)
Net assets at beginning of year	670,928	-	670,928
Net assets at end of year	\$ 669,551	\$ 1,000	\$ 670,551

See independent auditor's report and notes to financial statements

**SALVUS CENTER, INC.**
**STATEMENTS OF SUPPORT, REVENUE, EXPENSES AND CHANGES IN NET ASSETS - MODIFIED CASH BASIS  
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Revenues			
Non-government grant/donations	\$ 271,525	\$ -	\$ 271,525
Government grants	92,885	-	92,885
Patient fees	113,901	-	113,901
Contract service fees	44,489	-	44,489
Individual/business contributions	64,205	-	64,205
In-kind donations	61,780	-	61,780
Fundraisers	87,222	-	87,222
Rental income	28,417	-	28,417
Interest	47	-	47
Total revenues	<u>764,471</u>	<u>-</u>	<u>764,471</u>
Expenses			
Program services	<u>579,188</u>	<u>-</u>	<u>579,188</u>
Total program services	579,188	-	579,188
Supporting services			
Management and general	81,825	-	81,825
Fundraising	<u>90,668</u>	<u>-</u>	<u>90,668</u>
Total supporting services	<u>172,493</u>	<u>-</u>	<u>172,493</u>
Total expenses	<u>751,681</u>	<u>-</u>	<u>751,681</u>
Increase (decrease) in net assets	12,790	-	12,790
Net assets at beginning of year	<u>658,138</u>	<u>-</u>	<u>658,138</u>
Net assets at end of year	<u>\$ 670,928</u>	<u>\$ -</u>	<u>\$ 670,928</u>

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

**SALVUS CENTER, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES - MODIFIED CASH BASIS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	Program Service	Management and General	Fundraising	Total
Salaries	\$ 297,217	\$ 36,346	\$ 42,750	\$ 376,313
Employee benefits	41,893	(176)	3,196	44,913
Payroll taxes	22,518	2,779	2,681	27,978
Total personnel cost	361,628	38,949	48,627	449,204
Building operations:				
Building maintenance & repairs	12,244	-	-	12,244
Utilities	6,890	-	-	6,890
General operations:				
Advertising	5,960	420	-	6,380
Bank charges	283	80	112	475
Dues & registration fees	945	568	-	1,513
Insurance	6,132	-	-	6,132
Interest	2,023	541	-	2,564
Licenses & permits	390	240	-	630
Meals & entertainment	4,174	213	35	4,422
Office expense	5,283	3,474	796	9,553
Payroll processing	-	2,087	-	2,087
Professional services	18,964	-	-	18,964
Postage	2,143	347	1,100	3,590
Staff development & recruiting	2,665	-	-	2,665
Supplies	6,797	25	-	6,822
Technical support	11,139	-	-	11,139
Telecommunications	5,226	-	-	5,226
Travel	86	-	-	86
Total operations	91,344	7,995	2,043	101,382
Program:				
Contract service expense	16,395	-	-	16,395
Medical supplies	9,485	-	-	9,485
Malpractice insurance	7,232	-	-	7,232
Medical waste disposal	2,779	-	-	2,779
Patient assistance	2,185	-	-	2,185
Total program services	38,076	-	-	38,076
Fundraisers:				
Fundraising consultant	-	-	19,200	19,200
Fundraising event	-	-	7,253	7,253
Total fundraising expense	-	-	26,453	26,453
Total expenses before depr & in-kind	491,048	46,944	77,123	615,115
In-kind expenses	12,000	-	-	12,000
Depreciation	-	17,253	-	17,253
Total expenses	\$ 503,048	\$ 64,197	\$ 77,123	\$ 644,368

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



**SALVUS CENTER, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES - MODIFIED CASH BASIS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	Program Service	Management and General	Fundraising	Total
Salaries	\$ 310,101	\$ 45,000	\$ 42,750	\$ 397,851
Employee benefits	32,054	3,366	3,196	38,616
Payroll taxes	24,104	3,454	2,681	30,239
Total personnel cost	366,259	51,820	48,627	466,706
Building operations:				
Building maintenance & repairs	9,565	-	-	9,565
Utilities	7,334	-	-	7,334
General operations:				
Advertising	2,002	1,660	1,350	5,012
Bank charges	1,008	-	440	1,448
Dues & registration fees	2,119	1,050	-	3,169
Insurance	5,367	-	-	5,367
Licenses & permits	685	240	-	925
Meals & entertainment	4,497	365	7	4,869
Office expense	7,076	1,379	870	9,325
Payroll processing	-	2,058	-	2,058
Professional services	21,035	-	-	21,035
Postage	3,963	-	825	4,788
Staff development & recruiting	786	1,828	-	2,614
Supplies	9,876	-	367	10,243
Technical support	14,476	-	-	14,476
Telecommunications	4,657	-	-	4,657
Travel	2,086	1,633	-	3,719
Total operations	96,532	10,213	3,859	110,604
Program:				
Contract service expense	30,275	-	-	30,275
Medical supplies	11,296	-	-	11,296
Malpractice insurance	4,555	-	-	4,555
Medical waste disposal	2,942	-	-	2,942
Patient assistance	5,549	-	-	5,549
Total program services	54,617	-	-	54,617
Fundraisers:				
Fundraising consultant	-	-	19,227	19,227
Fundraising event	-	-	18,955	18,955
Total fundraising expense	-	-	38,182	38,182
Total expenses before depr & in-kind	517,408	62,033	90,668	670,109
In-kind expenses	61,780	-	-	61,780
Depreciation	-	19,792	-	19,792
Total expenses	<u>\$ 579,188</u>	<u>\$ 81,825</u>	<u>\$ 90,668</u>	<u>\$ 751,681</u>

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

**SALVUS CENTER, INC.**  
**STATEMENTS OF CASH FLOW - MODIFIED CASH BASIS**  
**FOR THE YEARS ENDED JUNE 30, 2020 and 2019**

	<u><b>2020</b></u>	<u><b>2019</b></u>
<u><b>Cash Flows From Operating Activities</b></u>		
Increase (decrease) in net assets	\$ (377)	\$ 12,792
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities		
Depreciation expense	17,253	19,792
Change in assets and liabilities:		
(Increase) in prepaid expenses	-	(380)
(Decrease) increase in accrued liabilities	(449)	168
Increase in reimbursable advance	25,546	-
Total adjustments	<u>42,350</u>	<u>19,580</u>
Net cash provided by (used in) operating activities	41,973	32,372
<u><b>Cash Flows from Financing Activities</b></u>		
Payments on line of credit	(66,000)	(34,669)
Proceeds from line of credit	<u>72,506</u>	<u>34,300</u>
Net cash provided by (used in) financing activities	6,506	(369)
Net increase (decrease) in cash and cash equivalents	<u>48,479</u>	<u>32,003</u>
Cash and cash equivalents, beginning of year	<u>40,457</u>	<u>8,454</u>
Cash and cash equivalents, end of year	<u><u>\$ 88,936</u></u>	<u><u>\$ 40,457</u></u>

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

**SALVUS CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020 and 2019**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Nature of Activities**

Inspired by the Biblical mandate to care for the sick and the needy, a diverse group of Sumner County's leading citizens came together in fall 2004 to found Salvus Center, a faith-based nonprofit organization dedicated to providing healthcare for the working uninsured in Sumner County, Tennessee. In February 2005, the charter was amended to change the name to the Salvus Center, Inc. (the "Center"). The Center is chartered and incorporated under the laws of Tennessee as a nonprofit corporation. The Center opened its first health care clinic in Gallatin, Tennessee in March 2006 for residents of the county who work but do not have health insurance. Patients are seen, treated, and pay fees according to a sliding scale. Contributions received from foundations, faith communities, individuals, and businesses located in the Middle Tennessee region and government grants are the Center's primary sources of support.

**B. Basis of Accounting**

The accompanying financial statements have been prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under the modified cash basis of accounting, revenues are recognized when collected and expenses are recognized when paid. The donated professional services and property and equipment received for less than fair market value are recorded as contributions in these financial statements.

**C. Use of Estimates**

The preparation of financial statements in conformity with the modified cash basis of accounting requires the Center to make estimates and assumptions that affect certain reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

**D. Cash and Cash Equivalents**

Cash and cash equivalents include all monies in banks and highly liquid investments with maturity dates of less than three months. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

**E. Property and Equipment**

Property and equipment are recorded at cost or, if donated, at the estimated fair market value at the date of donation. Property and equipment (including software) are depreciated using the straight-line method over the life of the asset, between 3 to 7 years. The building is depreciated using the straight-line method over the estimated useful life of thirty-nine years. Building improvements are depreciated over the life of the building of thirty-nine years. Depreciation expense for the years ended June 30, 2020 and 2019 is \$17,253 and \$19,792, respectively. Repair and maintenance costs are expensed as incurred.

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

**SALVUS CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020 and 2019**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**F. Basis of Presentation**

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

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

Net assets with donor restrictions – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Center and/or the passage of time. Restrictions that are fulfilled in the same accounting period in which the funds are received are reported in the statement of activities as net assets without donor restrictions. The Center has \$1,000 and \$0 with donor restrictions as of June 30, 2020 and 2019, respectively. The funds in the current year are restricted for building repairs.

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

**G. Contributed Services**

Contributed services are reflected in the financial statements at the fair value of the services received only when those services either (a) create or enhance nonfinancial assets, or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Volunteers also provide program and fundraising services throughout the year that are not recognized as contributions in the financial statements since the recognition criteria were not met.

**H. Program Services**

Program services include events or activities in which the Center provides care to working uninsured residents of Sumner County.

**I. Advertising Costs**

Advertising costs are expensed as incurred. Total advertising cost for the year ended June 30, 2020 and 2019 was \$6,380 and \$5,012, respectively.

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

**SALVUS CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020 and 2019**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**J. Income Taxes**

The Center is a not-for-profit organization that is exempt from income taxes under section 501(c)(3) of the Internal Revenue Code.

**K. Vacation and Sick Time**

The Center allows for paid vacation and sick time. It allows full time employees to receive five to fifteen days of paid vacation based upon their years of service, carry-over is not allowed except for unusual circumstances and only up to five days. Sick time is accrued one day per month for a total of twelve days per year. Three days of sick time can be carried over to the following year. Management has elected not to accrue vacation or sick time because the amounts cannot be reasonably estimated and does not materially affect the financial statements.

**NOTE 2 – REFUNDABLE ADVANCE – PPP FUNDS**

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus originating from Wuhan, China (the "COVID-19 outbreak") and risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic based on the rapid increase in exposure globally. This prompted President Trump to sign the "Coronavirus Aid, Relief, and Economic Security (CARES) Act on March 27, 2020. The CARES Act, among other things, includes provisions relating to refundable payroll, tax credits, deferment of employer's portion of social security payments, net operating loss carryback periods, alternative minimum tax credit refunds, modifications to the net interest deduction limitations, increased limitations on qualified charitable contributions, and technical corrections to tax depreciation methods for qualified improvement property. The CARES Act also appropriated funds for the SBA Paycheck Protection Program loans that are forgivable in certain situations to promote continued employment, as well as Economic Injury Disaster Loans to provide liquidity to small businesses harmed by COVID-19. On April 16, 2020 the Center's board approved a \$95,397 request of funds that was approved and deposited into the Center's account on April 22, 2020. Management has elected to account for this inflow of cash as a refundable advance. Once the forgiveness conditions are substantially met, the refundable advance will be reclassified as a conditional grant. The grant is considered conditional due to the fact that the grant has one or more barriers that must be overcome by the Center and a right of return to the contributor for assets transferred. Conditions include using funds for eligible payroll costs, payments on business mortgage interest payments, rent, or utilities during a 24-week period after disbursement. As of June 30, 2020, the Center has expended \$69,851 on qualified expenses.

**SALVUS CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020 and 2019**

**NOTE 2 – REFUNDABLE ADVANCE – PPP FUNDS (CONTINUED)**

<b>Eligible Expenses</b>	
Payroll costs	\$ 67,249
Rent	180
Utilities	<u>2,422</u>
Total eligible expenses	<u>\$ 69,851</u>

The remaining \$25,546 will remain classified as a refundable advance until the Center uses these funds on eligible expenses.

**NOTE 3 – LINE OF CREDIT**

The Center maintains a line of credit with Sumner Bank and Trust in the amount of \$250,000, with variable interest calculated at Wall Street Journal U.S. Prime Rate, currently 4.75%. The Center's outstanding balance on the line of credit for the years ended June 30, 2020 and 2019 was \$16,138 and \$9,632, respectively. The Deed of Trust on the property located at 556 Hartsville Pike, Gallatin, Tennessee is collateral for the line of credit. The maturity date of the line of credit is February 27, 2020.

**NOTE 4 – LEASE ARRANGEMENTS**

In November 2014, the Center entered into a lease arrangement with an orthopedics practice tenant for approximately 2000 square feet of space in the adjoining suite in the Center's building located at 556 Hartsville Pike in Gallatin, TN. The lease was renewed in November 2017 for three years ending on November 30, 2020 with current monthly payments of \$2,465 per month escalating 2% annually in November. Rental revenue for the years ending June 30, 2020 and 2019 was \$24,189 and \$28,417, respectively.

**NOTE 5 – RELATED PARTY TRANSACTIONS**

The Center receives in-kind and cash contributions from Board members. It is not cost beneficial to identify the total amounts of these transactions.

**NOTE 6 – LIQUIDITY**

The Center's assets available at June 30, 2020 equates to \$89,316. The Center is substantially supported by grants, individual contributions, and service fees which are primarily without donor restrictions and are available for general expenditure.

**SALVUS CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020 and 2019**

**NOTE 7 – CONCENTRATIONS**

During the year ended June 30, 2020, there were four donors that contributed 41% of the cash and donated contributions. During the year ended June 30, 2019, there were seven donors that contributed 31% of the cash and donated contributions.

Government grants and reimbursements accounted for 19% and 10% of the total support and revenues for the years ended June 30, 2020 and 2019, respectively.

**NOTE 8 – DONATED SERVICES AND ASSETS**

The value of donated services and assets included in the financial statements and the corresponding expenditure or asset capitalization for the years ended June 30:

<b>Public support and revenues</b>	<b><u>2020</u></b>	<b><u>2019</u></b>
Donated services	\$ 12,000	\$ 38,730
Donated goods	-	23,050
Total public support and revenues	<u>12,000</u>	<u>61,780</u>
<b>Expenditures</b>		
Professional fees - medical	12,000	38,730
Fundraising event expenses	-	23,050
Total expenditures	<u>\$ 12,000</u>	<u>\$ 61,780</u>

**NOTE 9 – SUBSEQUENT EVENTS**

The Center has evaluated events and transactions for subsequent events that would impact the financial statements for the year ended June 30, 2020 through December 31, 2020, the date the financial statements were available to be issued.

On December 3, 2020 the Center submitted the PPP Loan Forgiveness Application.

There were no additional subsequent events that require recognition in the financial statements.

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