

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

June 30, 2020 and 2019

(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 statements of financial position as of June 30, 2020 and 2019, 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. as of June 30, 2020 and 2019, 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 30, 2020 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 that reads "Jerry Home CPA". The signature is written in a cursive, flowing style.

Lebanon, TN
October 30, 2020

Rutherford County Primary Care Clinic, Inc.

Statements of Financial Position

June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
<i>Current Assets</i>		
Cash and Cash Equivalents	\$ 3,663,982	\$ 2,207,629
Accounts Receivable	179,561	155,394
Contract 340B Receivables	61,573	52,438
Other Contracts Receivable	217,261	261,076
Grants Receivable	140,457	231,057
Short Term Investments	1,000,000	0
Inventory	68,356	46,189
Prepaid Expenses	44,666	36,804
<i>Total Current Assets</i>	<u>5,375,856</u>	<u>2,990,587</u>
 Grants Receivable - Long Term	 59,400	 0
Property and Equipment, Net	5,451,182	5,526,281
 Total Assets	 <u>\$ 10,886,438</u>	 <u>\$ 8,516,868</u>
 LIABILITIES AND NET ASSETS		
<i>Current Liabilities</i>		
Accounts Payable	\$ 74,103	\$ 66,991
Accrued Payroll Liabilities	351,498	300,580
Accrued Compensated Absences	272,291	261,808
Refundable Advance - Provider Relief	169,255	0
Current Portion of Notes Payable	319,239	0
<i>Total Current Liabilities</i>	<u>1,186,386</u>	<u>629,379</u>
 <i>Long-Term Liabilities</i>		
Notes Payable	833,108	0
Current Portion of Notes Payable	(319,239)	0
<i>Total Long-Term Liabilities</i>	<u>513,869</u>	<u>0</u>
 Total Liabilities	 <u>1,700,255</u>	 <u>629,379</u>
 Net Assets - Without Donor Restrictions	 8,751,474	 7,700,220
Net Assets - With Donor Restrictions	434,709	187,269
Total Net Assets	<u>9,186,183</u>	<u>7,887,489</u>
 Total Liabilities and Net Assets	 <u>\$ 10,886,438</u>	 <u>\$ 8,516,868</u>

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

Rutherford County Primary Care Clinic, Inc.
Statements of Activities and Changes in Net Assets
For the Years Ended June 30, 2020 and 2019

	2020	2019
Support and Revenues:		
Patient Revenue	\$ 3,952,963	\$ 3,300,068
Contract 340B	1,269,006	414,323
Other Contracts	1,481,150	1,260,762
Public Support - Federal Grants	1,945,660	1,764,506
Other Grants	445,984	427,663
Contributions	350,190	472,029
Net Assets Released from Restriction	7,460	0
Total Support and Revenues	9,452,413	7,639,351
Expenses:		
Program Service Expenses	5,836,106	5,031,817
General and Administrative Expenses	2,583,562	2,473,132
Total Expenses	8,419,668	7,504,949
Other Income (Expense):		
Interest Income	6,767	3,115
Other Income	11,742	13,456
Total Other Income (Expense)	18,509	16,571
Change in Net Assets Without Donor Restriction	\$ 1,051,254	\$ 150,973
Net Assets With Donor Restriction		
Contributions	254,900	187,269
Net Assets Released From Restriction	(7,460)	0
Change in Net Assets With Donor Restriction	247,440	187,269
Total Change in Net Assets	\$ 1,298,694	\$ 338,242
Net Assets, Beginning of Year	7,887,489	7,549,247
Net Assets, End of Year	\$ 9,186,183	\$ 7,887,489

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

Rutherford County Primary Care Clinic, Inc.
Statements of Functional Expenses
For the Years Ended June 30, 2020 and 2019

2020	Program Services	General and Administrative	2020 Total
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
Total	\$ 5,836,106	\$ 2,583,562	\$ 8,419,668

2019	Program Services	General and Administrative	2019 Total
Salaries and Wages	\$ 2,851,179	\$ 1,603,055	\$ 4,454,234
Fringe Benefits	600,441	337,594	938,035
Purchased Services and Professional Fees	261,735	259,890	521,625
Supplies	436,774	38,270	475,044
Donated Supplies	405,127	0	405,127
Depreciation	91,826	123,555	215,381
Travel, Communication, and Other	384,735	110,768	495,503
Total	\$ 5,031,817	\$ 2,473,132	\$ 7,504,949

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

Rutherford County Primary Care Clinic, Inc.
Statements of Cash Flows
For the Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Operating Activities:		
Change in Net Assets	\$ 1,298,694	\$ 338,242
Items not requiring (providing Cash)		
Depreciation	209,278	215,381
Donated Services for Purchase of Property	(25,000)	0
Changes in		
Accounts Receivable	(24,167)	63,234
Contract 340B Receivable	(9,135)	(33,685)
Other Contracts Receivable	43,815	17,467
Grants Receivable	90,600	58,610
Inventory	(22,167)	(24,838)
Prepaid Expenses	(7,862)	(4,913)
Grants Receivable - Long-Term	(59,400)	0
Accounts Payable	7,112	26,461
Accrued Payroll Liabilities	50,918	33,858
Accrued Compensated Absences	10,483	24,344
Refundable Advance - Provider Relief	169,255	0
Net Cash Provided by Operating Activities:	<u>1,732,424</u>	<u>714,161</u>
Investing Activities:		
Purchases of Property and Equipment	(109,179)	(31,450)
Purchases of Short Term Investments	(1,000,000)	0
Net Cash Used in Investing Activities:	<u>(1,109,179)</u>	<u>(31,450)</u>
Financing Activities:		
Issuance of Note Payable	833,108	0
Net Cash Used in Investing Activities:	<u>833,108</u>	<u>0</u>
Net Increase (Decrease) in Cash	<u>1,456,353</u>	<u>682,711</u>
Cash at Beginning of The Year	2,207,629	1,524,918
Cash at End of The Year	<u>\$ 3,663,982</u>	<u>\$ 2,207,629</u>
Interest Paid	\$ 26,842	\$ 22,408

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

RUTHERFORD COUNTY PRIMARY CARE CLINIC, INC.

Notes to Financial Statements

June 30, 2020 and 2019

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

(a) Nature of The Business

Rutherford County Primary Care Clinic, Inc. (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, 2020 and 2019, cash equivalents consisted primarily of insured cash sweep accounts. At June 30, 2020, approximately \$394,000 exceeded Federal Deposit Insurance Coverage and was 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.

Notes to Financial Statements

June 30, 2020 and 2019

(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, 2020 and 2019.

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 medical supplies and 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, 2020 and 2019 were \$68,356 and \$46,189, respectively.

RUTHERFORD COUNTY PRIMARY CARE CLINIC, INC.

Notes to Financial Statements

June 30, 2020 and 2019

(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 \$1,000. 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) Grants and Contributions

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.

(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.

RUTHERFORD COUNTY PRIMARY CARE CLINIC, INC.

Notes to Financial Statements

June 30, 2020 and 2019

(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.

(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 cash equivalents and investments. Cash equivalents are maintained at high-quality financial institutions and credit exposure is limited at any one institution.

(n) Reclassifications

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

(o) Adoption of New Accounting Guidance

During the fiscal year ended June 30, 2020, the Organization adopted Accounting Standards Update (“ASU”) 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* and ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*.

ASU 2018-08 clarifies the definition of an exchange and non-exchange transaction and provides guidance on determining whether a non-exchange transaction (contribution) is conditional or unconditional. This ASU was adopted using the modified prospective method. The adoption of this standard did not have a significant impact on the operations of the Organization. The adoption of this ASU 2018-08 resulted in non-exchange transactions presented as grants and contracts in the statement of activities for the year ended June 30, 2019 being separately presented as contracts or grants in the statement of activities for the year ended June 30, 2020.

RUTHERFORD COUNTY PRIMARY CARE CLINIC, INC.

Notes to Financial Statements

June 30, 2020 and 2019

ASU 2014-09 implements a single framework for recognition of all revenue earned from customers in exchange contracts. This framework ensures that entities appropriately reflect the consideration to which they expect to be entitled in exchange for goods and services by allocating transaction price to identified performance obligations and recognizing revenue as performance obligations are satisfied. Qualitative and quantitative disclosures are required to enable users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The ASU was adopted using the modified retrospective method. The adoption of this standard changed the presentation of revenue related to uninsured and underinsured patients but did not materially affect the amount of net patient recognized for these patients. Under ASU 2014-09, estimated uncollectible amounts due from these patients are generally considered implicit price concessions, presented as a direct reduction to patient service revenue, and not presented separately as a provision for bad debts. Similarly, the related receivables from these patients are presented net of estimated allowances for implicit price concessions, and separate presentation of an allowance for bad debts has been eliminated.

(2) Fair Value of Financial Instruments

Fair values of the Organization's financial instruments (principally cash and cash equivalents, accounts, contract 340B, contract, and grants receivable and investments) 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, 2020 and 2019 that were available for general expenditures:

	<u>2020</u>	<u>2019</u>
Cash and Cash Equivalents	\$ 3,663,982	\$ 2,207,629
Accounts Receivable	179,561	155,394
Contract 340B Receivables	61,573	52,438
Other Contracts Receivable	217,261	261,076
Grants Receivable	140,457	231,057
Short Term Investments	<u>1,000,000</u>	<u>0</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 5,262,834</u>	<u>\$ 2,907,594</u>

The Organization's goal is generally to maintain financial assets to meet 90 days of operating expenses (approximately \$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.

Notes to Financial Statements

June 30, 2020 and 2019

(4) Accounts Receivable

At June 30, 2020 and 2019, the Organization's accounts receivables were comprised of balances due from the following sources:

	2020	2019
Medicare	\$ 44,300	\$ 36,661
Medicaid	23,550	28,048
Commercial Insurance	111,170	90,480
Self Pay	541	205
Total Accounts Receivable	<u>\$ 179,561</u>	<u>\$ 155,394</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:

	2020	2019
Federal Grant Receivable	\$ 0	\$ 118,533
Tennessee SafetyNet Contract	53,251	34,800
Capital Grants Receivable	85,000	75,000
Other Grants and Contracts	2,206	2,724
Total	<u>\$ 140,457</u>	<u>\$ 231,057</u>

There is no allowance for uncollectible receivables or discount related to these balances at June 30, 2020 or June 30, 2019.

In addition, two unconditional promises to give capital grants were made to the Organization prior to June 30, 2020 for which the related donors have promised to give the Organization a total of \$60,000 during the fiscal year ending June 30, 2022. The Organization has discounted these promises to give using a 1% rate and has recognized a \$600 discount at June 30, 2020.

(6) Fair Value Measurements – Investments

At June 30, 2020 and 2019, the Organization held certificates of deposit (CDs) with interest at rates ranging from 0.75% to 1.00%. The methodologies used for fair value measurements of CDs are based on current market rates offered for deposits with similar maturities. These methods 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 methods are 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.

Notes to Financial Statements

June 30, 2020 and 2019

The following table sets forth by level, within fair value hierarchy, the Organization's investments at fair value as of June 30, 2020 and 2019.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</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>
June 30, 2019				
Certificates of Deposit	\$ 0	0	\$ 0	\$ 0
Total Investments, at Fair Value	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

(7) Property, Plant and Equipment

A summary of property and equipment at June 30, 2020 and 2019 is as follows:

	<u>2020</u>	<u>2019</u>
Building, and Building Improvements	\$ 5,147,713	\$ 5,147,713
Land	1,702,300	1,702,300
Furniture and Equipment	712,870	662,273
Electronic Medical Records	136,335	136,335
Construction in Process	<u>160,192</u>	<u>84,172</u>
Total	7,859,410	7,732,793
Less: Accumulated Depreciation	<u>(2,408,228)</u>	<u>(2,206,512)</u>
Property and Equipment, net	<u>\$ 5,451,182</u>	<u>\$ 5,526,281</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, 2020 and 2019 was \$209,278 and \$215,381.

(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. The Organization believes that its use of the proceeds from the note payable are consistent with these purposes and meet the conditions for forgiveness of the debt. Any unforgiven portion of the PPP note payable accrues interest at 1.00% and requires monthly payments of principal and interest of \$46,884 beginning December 13, 2020 with a balloon payment of the remaining balance due at maturity on April 13, 2022. At June 30, 2020, the balance of the note payable was \$833,108.

RUTHERFORD COUNTY PRIMARY CARE CLINIC, INC.

Notes to Financial Statements

June 30, 2020 and 2019

Future principal payments required under the note payable at June 30, 2020 are as follows:

2021	\$	319,239
2022		513,869
Thereafter		0
Total	\$	<u>833,108</u>

(9) 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>2020</u>	<u>2019</u>
Capital Expansion	\$ 424,900	\$ 170,000
Provider Incentives	<u>9,809</u>	<u>17,629</u>
Total Net Assets With Donor Restriction	<u>\$ 434,709</u>	<u>\$ 187,269</u>

(10) Patient 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 payors are generally sent within a few days or weeks of the outpatient visit.

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 2020 and 2019 was \$916,857 and \$933,023, 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.

RUTHERFORD COUNTY PRIMARY CARE CLINIC, INC.

Notes to Financial Statements

June 30, 2020 and 2019

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. Prior to the adoption of ASU 2014-09, a provision for bad debts of \$93,540 was recorded at June 30, 2019 that represented charges for services provided that were deemed to be uncollectible.

The following summarizes net patient service revenue, net of contractual allowances and discounts by significant payer for the years ended June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Medicare	\$ 734,397	\$ 685,053
Medicaid	724,748	674,321
Commercial Insurance	1,751,547	1,313,512
Self Pay	<u>742,271</u>	<u>627,182</u>
Total Patient Revenue	<u>\$ 3,952,963</u>	<u>\$ 3,300,068</u>

(11) Federal Grant Support

The Organization received federal grants in the amount of \$1,945,660 and \$1,764,506 of which all was obligated for the years ended June 30, 2020 and 2019, 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.

(12) 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>2020</u>	<u>2019</u>
Gross Receipts	\$ 2,424,394	\$ 1,167,375
Drug Replenishment and Other Costs	<u>(1,284,062)</u>	<u>(700,152)</u>
Net 340B Revenue	<u>\$ 1,140,332</u>	<u>\$ 467,223</u>

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

Notes to Financial Statements

June 30, 2020 and 2019

(13) Contributions

The Organization received contributions of \$350,190 and \$472,029 during the years ended June 30, 2020 and 2019. A summary of the contributions are as follows:

The Organization received donated pharmaceuticals to be disbursed to indigent patients. The fair market value of these donations is the actual amounts reported by the donor. The value of these donations for the years ended June 30, 2020 and 2019 was \$295,696 and \$405,127, respectively.

The Organization also received cash donations for the years ended June 30, 2020 and 2019 of \$24,350 and \$19,889, respectively, from individuals and other organizations.

The Organization also received donated labor and services for volunteers who donated their time and efforts in the Organization's program. These services are valued at the prevailing wage rate for similar services provided in the community. The fair market value for these donated services for the years ended June 30, 2020 and 2019 was \$30,144 and \$47,013, respectively.

(14) Operating Leases

The Organization has two leases with Thompson Properties of Middle Tennessee for clinic space. These leases are on a 24-month terms with payments totaling \$4,100 per month through March 31, 2020. The payments increased to \$4,300 for the 12-month period beginning April 1, 2020.

The Organization has a lease with North Professional Center for clinic space. This lease is on a 24-month term requiring payments of \$3,150 per month.

At June 20, 2020, future lease payments total \$67,050 for the fiscal year ending June 30, 2021.

(15) 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.

RUTHERFORD COUNTY PRIMARY CARE CLINIC, INC.

Notes to Financial Statements

June 30, 2020 and 2019

(16) 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 expenses for the years ended June 30, 2020 and 2019 were \$110,023 and \$109,255, respectively.

(17) Significant Source of Revenue

Approximately 21% and 23% of the Organization's revenue for the fiscal years ended June 30, 2020 and 2019, 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.

(18) 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.

(19) 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."

(20) 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 other than the items below.

During March 2020, the United States began to see significant economic impacts related to the spread of novel coronavirus (COVID-19). At the date the financial statements were available to be issued, FQHCs across the United States, including the Organization, have experienced fluctuations in patient revenue as a result of the general population's efforts to mitigate the spread of COVID-19. In addition, certain FQHCs, including the Organization, have received additional funding in 2020 from HRSA and other federal funding sources to provide for COVID-19 testing and to offset lost patient revenue. The related activity incurred through the financial statement date with respect to this funding is reflected in the accompanying June 30, 2020 financial statements. Management continues to monitor the Organization's operations and believes there is no additional recognition of these matters required in the accompanying June 30, 2020 and 2019 financial statements.

RUTHERFORD COUNTY PRIMARY CARE CLINIC, INC.

Notes to Financial Statements

June 30, 2020 and 2019

Subsequent to June 30, 2020, several pharmaceutical companies have demanded increased reporting by participating health care providers and announced that 340B discounts may be discontinued and distribution of these pharmaceuticals may be limited unless participating providers, such as the Organization, comply with the pharmaceutical manufacturers' requirements related to the 340B program. The future development of the 340B program is currently unknown, and limitations on the discounts available to the Organization could have a significant impact on future operations.

SUPPLEMENTAL SCHEDULES

RUTHERFORD COUNTY PRIMARY CARE CLINIC, INC.

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2020

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
<u>U.S. Department of Health and Human Services</u>				
Health Center Program Cluster Grants for New and Expanded Service Under the Health Center Program <i>Grant No. H80CS 24156</i>	93.527	N/A	N/A	\$ 1,782,792
Health Center Program (Community Health Centers, Migrant Health, Health Care for the Homeless, and Public Housing Primary Care) <i>Grant No. H80CS 24156</i>	93.224	N/A	N/A	104,115
COVID-19 Health Center Program (Community Health Centers, Migrant Health, Health Care for the Homeless, and Public Housing Primary Care) <i>Grant No. H8CCS 34911</i>	93.224	N/A	N/A	<u>45,503</u>
Total Direct Grants				\$ 1,932,410
<u>United States Department of Housing and Urban Development</u>				
Pass Through Grant City of Murfreesboro Community Development Block Grant	14.218	N/A	N/A	<u>\$ 13,250</u>
Total Federal Grants				<u><u>\$ 1,945,660</u></u>

RUTHERFORD COUNTY PRIMARY CARE CLINIC, INC.

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2020

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. under programs of the federal government for the year ended June 30, 2020. 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., 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.

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. Rutherford County Primary Care Clinic, Inc. 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. which comprise the statements of financial position as of June 30, 2020, 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 30, 2020.

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*.**

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

Lebanon, TN
October 30, 2020



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 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 major federal programs for the year ended June 30, 2020. 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 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 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 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 programs for the year ended June 30, 2020.

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 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 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 30, 2020

RUTHERFORD COUNTY PRIMARY CARE CLINIC, INC.

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2020

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.

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2020

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.

Summary Schedule of Prior Year Audit Findings

June 30, 2020

There were no findings in the prior year audit.