

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Salvus Center, Inc.

I have audited the accompanying statements of assets, liabilities and net assets – modified cash basis of Salvus Center, Inc. (a nonprofit corporation) as of June 30, 2009 and 2008, and the related statements of support, revenue, expenses and changes in net assets – modified cash basis, functional expenses – modified cash basis and cash flows – modified cash basis for the years then ended. These financial statements are the responsibility of the Organization's management. My responsibility is to express an opinion on these financial statements based on my audits.

I conducted my audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audits provide a reasonable basis for my opinion.

As described in Note 1, these financial statements were 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.

In my opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the assets, liabilities and net assets of Salvus Center, Inc. as of June 30, 2009 and 2008, and its support, revenues, expenses and changes in net assets and its cash flows for the years then ended, on the basis of accounting described in Note 1.



White House, Tennessee
October 22, 2009

SALVUS CENTER, INC.
Statements of Assets, Liabilities and Net Assets -
Modified Cash Basis
June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
ASSETS		
Current assets		
Cash	\$ 585,474	\$ 572,913
Investments	24,564	40,926
Other receivable	374	374
Total current assets	<u>610,412</u>	<u>614,213</u>
Property and equipment		
Assets not placed in service - Hendersonville clinic	-	9,168
Construction in progress - Hendersonville clinic	-	3,534
Medical and office equipment, furniture and fixtures	44,639	29,730
Software	18,080	18,080
Leasehold improvements	14,276	1,775
	<u>76,995</u>	<u>62,287</u>
Less accumulated depreciation	(40,455)	(25,246)
Property and equipment, net	<u>36,540</u>	<u>37,041</u>
Total assets	<u><u>\$ 646,952</u></u>	<u><u>\$ 651,254</u></u>

LIABILITIES AND NET ASSETS

Total liabilities	<u>\$ -</u>	<u>\$ -</u>
Net assets		
Unrestricted	646,952	629,754
Temporarily restricted	-	21,500
Total net assets	<u>646,952</u>	<u>651,254</u>
Total liabilities and net assets	<u><u>\$ 646,952</u></u>	<u><u>\$ 651,254</u></u>

The accompanying notes are an integral part of these statements.

SALVUS CENTER, INC.
Statements of Support, Revenue, Expenses and Changes in Net Assets -
Modified Cash Basis
Years Ended June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Unrestricted net assets		
Public support and revenues		
Patient fees	\$ 71,465	\$ 48,019
Fees for service contracts	43,965	21,327
Affiliate fees - Pathfinders	24,792	35,000
Contributions from faith communities	49,293	57,134
Contributions from individuals	54,940	142,710
Contributions from corporations	2,250	6,077
Other contributions	-	2,925
Foundation and trust grants	218,292	120,101
Non-profit grants	2,000	2,598
Government grants and reimbursements	77,257	53,735
Special event	28,580	25,695
Holiday card event	2,000	4,215
Donated use of facilities	33,100	45,563
Donated property and equipment	2,445	21,763
Donated services	2,528	4,940
Interest and dividend income	11,813	15,774
Net unrealized (losses) gains on investments	(17,014)	(12,343)
Miscellaneous income	20	142
Net assets released from restrictions	21,500	-
Total unrestricted public support, revenues and reclassifications	<u>629,226</u>	<u>595,375</u>
Expenses		
Program services	478,118	288,808
Management and general	74,508	67,366
Fundraising	59,402	57,147
Total expenses	<u>612,028</u>	<u>413,321</u>
Increase in unrestricted net assets	<u>17,198</u>	<u>182,054</u>
Temporarily restricted net assets		
Foundation and trust grants	-	21,500
Net assets released from restrictions	(21,500)	-
(Decrease) increase in temporarily restricted net assets	<u>(21,500)</u>	<u>21,500</u>
Total (decrease) increase in net assets	(4,302)	203,554
Net assets at beginning of year	<u>651,254</u>	<u>447,700</u>
Net assets at end of year	<u><u>\$ 646,952</u></u>	<u><u>\$ 651,254</u></u>

The accompanying notes are an integral part of these statements.

SALVUS CENTER, INC.
Statements of Functional Expenses -
Modified Cash Basis
Years Ended June 30, 2009 and 2008

	2009				2008			
	Supporting Services				Supporting Services			
	Program Services	Management & General	Fundraising	Total	Program Services	Management & General	Fundraising	Total
Salaries and wages	\$ 242,917	\$ 42,000	\$ 5,250	\$ 290,167	\$ 142,986	\$ 41,923	\$ 5,240	\$ 190,149
Payroll taxes	19,786	3,633	405	23,824	14,392	569	570	15,531
Employee benefits	20,525	4,154	-	24,679	3,023	2,620	512	6,155
Advertising	-	273	-	273	440	440	440	1,320
Conferences	215	-	-	215	-	-	-	-
Contract medical services	38,933	-	-	38,933	16,873	-	-	16,873
Contributions	-	1,275	-	1,275	-	-	-	-
Depreciation and amortization	14,013	740	456	15,209	9,857	853	425	11,135
Fundraising consultant	-	-	39,000	39,000	-	-	33,033	33,033
Hospital patient assistance	8,356	-	-	8,356	4,818	-	-	4,818
Insurance	24,277	2,424	100	26,801	20,977	2,156	126	23,259
Janitorial services	5,620	790	-	6,410	2,320	800	30	3,150
Meals and entertainment	403	510	-	913	657	730	-	1,387
Medical supplies	3,460	-	-	3,460	2,653	-	-	2,653
Medical waste disposal	1,165	-	-	1,165	522	-	-	522
Membership dues	-	382	-	382	42	531	42	615
Miscellaneous	379	954	-	1,333	608	22	-	630
Office supplies	5,898	626	92	6,616	3,138	1,269	770	5,177
Payroll processing fees	47	662	-	709	747	86	75	908
Postage	944	339	746	2,029	546	200	784	1,530
Printing	1,504	486	1,432	3,422	1,186	763	2,657	4,606
Professional fees	-	6,728	-	6,728	3,860	6,330	-	10,190
Public relations/marketing	1,115	900	50	2,065	-	-	-	-
Recognition appreciation	-	653	300	953	-	7	-	7
Special event	-	-	11,571	11,571	-	-	12,061	12,061
Staff development	590	199	-	789	4,250	15	-	4,265
State taxes and fees	400	365	-	765	400	20	250	670
Rent and other occupancy	71,939	4,398	-	76,337	46,020	6,964	35	53,019
Technical support	6,084	-	-	6,084	5,619	-	-	5,619
Telephone	5,614	2,017	-	7,631	2,636	1,068	97	3,801
Travel	-	-	-	-	238	-	-	238
Utilities	3,934	-	-	3,934	-	-	-	-
Total expenses	<u>\$ 478,118</u>	<u>\$ 74,508</u>	<u>\$ 59,402</u>	<u>\$ 612,028</u>	<u>\$ 288,808</u>	<u>\$ 67,366</u>	<u>\$ 57,147</u>	<u>\$ 413,321</u>

The accompanying notes are an integral part of these statements.

SALVUS CENTER, INC.
Statements of Cash Flows -
Modified Cash Basis
Years Ended June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Cash flows from operating activities		
(Decrease) increase in net assets	\$ (4,302)	\$ 203,554
Adjustments to reconcile (decrease) increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	15,209	11,135
Contributions of property and equipment	(2,445)	(21,763)
Donated securities included in contributions	-	(39,256)
Net unrealized losses on investments	<u>17,014</u>	<u>12,343</u>
Net cash provided by operating activities	<u>25,476</u>	<u>166,013</u>
Cash flows from investing activities		
Dividends reinvested to purchase investments	(652)	(409)
Purchase of property and equipment	<u>(12,263)</u>	<u>(3,534)</u>
Net cash used by investing activities	<u>(12,915)</u>	<u>(3,943)</u>
Net increase in cash	12,561	162,070
Cash, beginning of year	<u>572,913</u>	<u>410,843</u>
Cash, end of year	<u><u>\$ 585,474</u></u>	<u><u>\$ 572,913</u></u>
Supplemental disclosure of non-cash investing activities		
Contributions of property and equipment	<u>\$ 2,445</u>	<u>\$ 21,763</u>
Donated marketable securities	<u>\$ -</u>	<u>\$ 39,256</u>

The accompanying notes are an integral part of these statements.

SALVUS CENTER, INC.
Notes to Financial Statements
Years Ended June 30, 2009 and 2008

Note 1. Nature of Activities and Significant Accounting Policies

A. Organization and 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 Clinic, 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. A second health care clinic was opened in July 2008 in Hendersonville, Tennessee. Patients are seen, treated and pay fees according to a sliding scale. Contributions received from foundations, faith communities, individuals and business located in the Middle Tennessee region 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 use of facilities, donated professional services and property and equipment purchased and received as contributions are recognized in these financial statements.

C. Financial Statement Presentation

The net assets of the Center and changes therein are classified and reported as follows:

Unrestricted Net Assets - Net assets that are not subject to donor-imposed restrictions.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed restrictions that may or will be met, either by actions of the Organization and/or the passage of time.

D. Fair Value Measurements

Effective July 1, 2008, the Center adopted SFAS No. 157, *Fair Value Measurements*, which defines fair value, establishes guidelines for measuring fair value and expands disclosures regarding fair value measurements. SFAS No. 157 does not require any new fair value measurements but rather eliminates inconsistencies in guidance found in various other accounting pronouncements. The adoption of SFAS No.157 did not have an impact on the Center's statement of assets, liabilities and net assets – modified cash basis or the related statements of support, revenue, expenses and changes in net assets, functional expenses and cash flows – all on the modified cash basis of accounting.

SALVUS CENTER, INC.
Notes to Financial Statements - Continued
Years Ended June 30, 2009 and 2008

Note 1. Summary of Significant Accounting Policies - Continued

D. Fair Value Measurements - Continued

Assets and liabilities measured at fair value are recorded in accordance with SFAS No. 157, which clarifies that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, SFAS No. 157 establishes a three-tier value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

Level 1 Inputs – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets and liabilities.

Level 2 Inputs – Inputs other than quoted prices in active markets that are observable either directly or indirectly.

Level 3 Inputs – Unobservable inputs in which there is little or no market data, which requires management to develop their assumptions.

E. Estimates

The accompanying financial statements contain estimates and assumptions by management that affects certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

F. Cash and Cash Equivalents

For purposes of the statement of cash flows, cash includes bank demand deposit accounts, money market accounts, certificates of deposit and cash on hand. The Center had no cash equivalents for the years ended June 30, 2009 and 2008.

G. Investments

Investments in equity securities with readily determinable fair values are measured at market value in the statement of financial position. The fair values for the equity securities are based on quoted market prices.

Gains and losses on dispositions of investments are accounted for on a specific identification basis. There were no dispositions of investments for the years ended June 30, 2009 and 2008. Net realized and unrealized gains and losses are included in the statement of activities.

H. Property and Equipment

The Center capitalizes property and equipment acquisitions in excess of \$1,000 with an estimated useful life in excess of one year. Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Property and equipment are

SALVUS CENTER, INC.
Notes to Financial Statements - Continued
Years Ended June 30, 2009 and 2008

Note 1. Nature of Activities and Significant Accounting Policies - Continued

H. Property and Equipment - Continued

depreciated using the 200% declining balance method over their estimated useful lives, which range from 5 to 7 years. Software is amortized using the straight-line method over their estimated useful lives of 3 years. Leasehold improvements are depreciated over the lease term of 39 months for the Hendersonville clinic.

I. Donated Services

Donated services are recognized as contributions in accordance with SFAS No. 116, Accounting for Contributions Received and Contributions Made, if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Center. Volunteers also provided program and fund-raising services throughout the year that are not recognized as contributions in the financial statements since the recognition criteria under SFAS No. 116 were not met.

The value of donated services included in the financial statements for the years ended June 30, 2009 and 2008 are \$2,528 and \$4,940, respectively. These amounts are recorded as professional fees in the financial statements.

J. Functional Expenses

The costs of providing the program and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program, supporting services benefited and fundraising efforts by the Center.

K. Income Taxes

The Center is a nonprofit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes.

L. Advertising

The Center expenses advertising costs as they are incurred. Advertising expenses are \$273 and \$1,320 for the years ended June 30, 2009 and 2008, respectively.

M. Reclassifications

Certain reclassifications have been made to the financial statements as of and for the year ended June 30, 2008 to conform to 2009 presentation.

SALVUS CENTER, INC.
Notes to Financial Statements - Continued
Years Ended June 30, 2009 and 2008

Note 2. Investments

Investments as of June 30, 2009 and 2008 are summarized as follows:

	<u>2009</u>		<u>2008</u>	
	<u>Fair Value</u>	<u>Basis</u>	<u>Fair Value</u>	<u>Basis</u>
Mutual Funds \$	13,893	\$ 21,023	\$ 18,152	\$ 20,752
Stocks	10,671	33,028	22,774	32,891
Totals	<u>\$ 24,564</u>	<u>\$ 54,051</u>	<u>\$ 40,926</u>	<u>\$ 53,643</u>

Note 3. Fair Value Measurements

The following assets carried at fair value are reviewed and adjusted on a recurring basis:

<u>Asset</u>	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>
Investments	\$ 24,564	\$ 24,564

Note 4. Property and Equipment

Depreciation and amortization expense for the years ended June 30, 2009 and 2008 are \$15,209 and \$11,135, respectively. Donated property and equipment for the years ended June 30, 2009 and 2008 are \$2,445 and \$21,763, respectively.

Assets not placed in service in the amount of \$9,168 and construction in progress in the amount of \$3,534 at June 30, 2008 are for the Hendersonville clinic that opened on July 28, 2008.

Note 5. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following at June 30, 2009 and 2008.

	<u>2009</u>	<u>2008</u>
Grant time restriction \$	<u>-</u>	<u>\$ 21,500</u>

Temporarily restricted net assets were released from donor restrictions for the years ended June 30, 2009 and 2008 as follows:

	<u>2009</u>	<u>2008</u>
Time restricted satisfied \$	<u>-</u>	<u>\$ 21,500</u>

SALVUS CENTER, INC.
Notes to Financial Statements - Continued
Years Ended June 30, 2009 and 2008

Note 6. 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.

The Center leases the clinic in Gallatin, Tennessee as a sublease as discussed in Note 7. An equity owner of the building that is leased to Sumner Regional Health Systems is also an employee and board member of the Center.

Note 7. Operating Lease Commitments

The Center has an operating sublease for its Gallatin clinic with Sumner Regional Health Systems, Inc. The clinic is located at 556 Hartsville Pike, Suite #200, in Gallatin, Tennessee. The leased space consists of 2,045 rentable square feet. The lease was dated February 17, 2006 with a lease term beginning on March 1, 2006 and ending on January 31, 2010. An amendment to the sublease was entered into on February 1, 2009. The new term of the lease begins on March 1, 2009 and ends on January 31, 2010. The Center had negotiated the lease for annual payments of \$0 on the original lease. The fair market value of the office space is a base of \$19.16 per square foot for the first three years of the lease with the amount increasing to \$20.17 the fourth year. The fair market value of the office space also includes amounts for common area maintenance, insurance and taxes at \$3.03 per square foot for the first year and this amount will be adjusted in subsequent years. This amount did increase to \$3.12 per square foot effective March 1, 2007 and to \$3.21 per square foot effective March 1, 2008. The fair market value of the donated rent for the years ended June 30, 2009 and 2008 are \$30,406 and \$45,563, respectively. These amounts have been recognized in the accompanying financial statements as donated use of facilities and rent expense. The lease payments on the amended sublease are payable in monthly payments of \$3,268 which includes taxes and insurance. The total rent paid for the year ended June 30, 2009 on the amended sublease is \$13,071.

The Center has an operating sublease for its Hendersonville clinic with Andrew S. Boskind. The lease was dated April 10, 2008 with a lease term beginning on May 15, 2008 and ending on January 15, 2009. The Hendersonville clinic is located at 107 Imperial Boulevard, Suite #3, Hendersonville, Tennessee. The leased space consists of 2,020 rentable square feet. The Center has negotiated the lease for monthly payments of \$2,694. A new lease agreement was entered into on January 23, 2009 with JBE, LLC for the Hendersonville clinic. The term of the lease is thirty nine months beginning on January 15, 2009 and ending on April 14, 2012. There is no rent due for the first, fourteenth and twenty seventh months. The total rent expense paid during the years ended June 30, 2009 and 2008 is \$29,634 and \$5,388, respectively for the Hendersonville clinic. The first month of the lease dated January 23, 2009 was recorded in the accompanying financial statements as donated use of facilities and rent expense in the amount of \$2,694.

SALVUS CENTER, INC.
Notes to Financial Statements - Continued
Years Ended June 30, 2009 and 2008

Note 7. Operating Lease Commitments - Continued

The future minimum lease payments on the Hendersonville lease dated 1.23.09 are as follows:

Years Ending June 30,	Amount
2010	\$ 29,634
2011	29,634
2012	24,246
Total	<u>\$ 83,514</u>

Note 8. Concentration of Credit Risk

Financial instruments that potentially subject the Center to concentrations of credit risk consist principally of cash accounts with financial institutions. Cash deposits exceeding federally insured limits totaled \$0 and \$290,353 at June 30, 2009 and 2008, respectively. The Center has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk.

Note 9. Concentrations

The Center received approximately 53% and 66% of its total support and revenues from donors who contributed cash, in-kind property and professional services for the years ended June 30, 2009 and 2008, respectively. During the year ended June 30, 2009, there were five donors that contributed 61% of the cash contributions. During the year ended June 30, 2008, there were two donors that contributed 27% of the cash contributions.

Note 10. Subsequent Events

The Center has evaluated events and transactions for subsequent events that would impact the financial statements for the year ended June 30, 2009 through October 22, 2009, the date the financial statements were available to be issued. There were no subsequent events that require recognition or disclosure in the financial statements.