

RUTHERFORD COUNTY PRIMARY CARE CLINIC, INC.
D/B/A PRIMARY CARE & HOPE CLINIC
(A TENNESSEE CORPORATION - NOT-FOR-PROFIT)

FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005
(Together with Independent Auditor's Report)

RUTHERFORD COUNTY PRIMARY CARE CLINIC, INC.
D/B/A PRIMARY CARE & HOPE CLINIC

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT

STATEMENT OF FINANCIAL POSITION

STATEMENT OF REVENUE AND EXPENSES

STATEMENT OF CHANGES IN NET ASSETS

STATEMENT OF CASH FLOWS

SCHEDULE I – OPERATING EXPENSES

NOTES TO FINANCIAL STATEMENTS

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INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors
Rutherford County Primary Care Clinic, Inc.
d/b/a Primary Care & Hope Clinic
Murfreesboro, Tennessee**

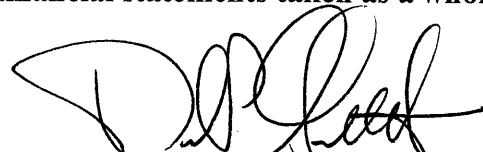
I have audited the accompanying statement of financial position of Rutherford County Primary Care Clinic, Inc. d/b/a Primary Care & Hope Clinic (a Tennessee Corporation – Not For Profit) as of June 30, 2005 and the related statements of revenues and expenses, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit 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 audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly in all material respects, the financial position of Rutherford County Primary Care Clinic, Inc. d/b/a Primary Care & Hope Clinic as of June 30, 2005, and the results of its operations, changes in net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

My audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplemental schedule of operating expenses (Schedule 1) is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

October 25, 2005


DAVID P. GUENTHER

RUTHERFORD COUNTY PRIMARY CARE CLINIC, INC.
D/B/A PRIMARY CARE & HOPE CLINIC
(A TENNESSEE CORPORATION - NOT FOR PROFIT)
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2005

ASSETS

Current assets:	
Cash	\$ 235,524
Accounts receivable, net of allowance of \$3,438	23,799
Inventories, at cost	9,698
Prepaid expenses	32,488
Total current assets	<u>\$ 301,509</u>
Fixed assets:	
Land	\$ 100,000
Building and improvements	490,929
Medical equipment	81,866
Other equipment	89,092
	<u>\$ 761,887</u>
Less: Accumulated depreciation	(172,164)
Total fixed assets	<u>\$ 589,723</u>
Other assets:	
Utility deposits	\$ 670
Certificate of deposit	100,000
Total other assets	<u>\$ 100,670</u>
Total assets	<u><u>\$ 991,902</u></u>

LIABILITIES AND NET ASSETS

Current liabilities:	
Accounts payable	\$ 6,254
Accrued payroll	37,581
Accrued vacation	41,496
Unearned grant funds	19,712
Total current liabilities	<u>\$ 105,043</u>
Net assets:	
Total unrestricted net assets	\$ 886,859
Total liabilities and net assets	<u><u>\$ 991,902</u></u>

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

RUTHERFORD COUNTY PRIMARY CARE CLINIC, INC.
D/B/A PRIMARY CARE & HOPE CLINIC
(A TENNESSEE CORPORATION - NOT FOR PROFIT)
STATEMENT OF REVENUES AND EXPENSES
FOR THE YEAR ENDED JUNE 30, 2005

	<u>INSURED PROGRAM (TENNCARE)</u>	<u>UNINSURED PROGRAM</u>	<u>COMBINED</u>
Revenues:			
Patient fees	\$ 874,947	\$ 274,466	\$ 1,149,413
Less: Fee adjustments	(291,978)	-	(291,978)
TennCare capitation payments	<u>51,549</u>	<u>-</u>	<u>51,549</u>
Net patient fees	\$ 634,518	\$ 274,466	\$ 908,984
Grant - City of Murfreesboro	-	4,000	4,000
Grant - Rutherford County	-	20,000	20,000
Cash contributions	-	190,116	190,116
Donated goods and services	-	166,826	166,826
Grant-Christy Houston Foundation	-	18,288	18,288
Other grants	-	35,000	35,000
United Way	-	24,000	24,000
Interest income	6,538	226	6,764
Miscellaneous income	<u>5,261</u>	<u>20</u>	<u>5,281</u>
Total revenues	\$ <u>646,317</u>	\$ <u>732,942</u>	\$ <u>1,379,259</u>
Expenses:			
<u>Operating expenses-Schedule 1</u>	\$ 767,024	\$ 714,208	\$ 1,481,232
Total expenses	\$ <u>767,024</u>	\$ <u>714,208</u>	\$ <u>1,481,232</u>
Excess (deficit) of revenues over expenses	\$ <u><u>(120,707)</u></u>	\$ <u><u>18,734</u></u>	\$ <u><u>(101,973)</u></u>

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

**RUTHERFORD COUNTY PRIMARY CARE CLINIC, INC.
D/B/A PRIMARY CARE & HOPE CLINIC
(A TENNESSEE CORPORATION - NOT FOR PROFIT)
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2005**

Net Assets, June 30, 2004	\$ 988,832
Excess (deficit) of revenues over expenses for the year ended June 30, 2005	<u>(101,973)</u>
Net Assets, June 30, 2005	\$ <u>886,859</u>

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

**RUTHERFORD COUNTY PRIMARY CARE CLINIC, INC.
D/B/A PRIMARY CARE & HOPE CLINIC
(A TENNESSEE CORPORATION - NOT FOR PROFIT)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2005**

Cash provided by operating activities:

Cash collected from patients, grantors and donors	\$ 1,251,245
Cash paid to suppliers and employees	(1,256,858)
Interest received	5,281
Net cash flows from operations	<u>\$ (332)</u>

Cash provided (used) by financing activities:

Purchase of fixed assets	\$ (24,302)
Net cash outflows from financing activities:	<u>\$ (24,302)</u>

Cash provided (used) by investing activities:

Purchase of certificate of deposit	\$ (100,000)
Net cash outflows from investing activities:	<u>\$ (100,000)</u>

Net increase (decrease) in cash for the year	\$ (124,634)
Cash beginning of year	360,158
Cash end of year	<u><u>\$ 235,524</u></u>

**RECONCILIATION OF EXCESS OF REVENUES OVER EXPENSES TO
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES**

Excess (deficit) of revenues over expenses	\$ (101,973)
Adjustments needed to reconcile to net cash provided by operating activities:	
Depreciation	39,787
Change in current assets and liabilities:	
(Increase) decrease in accounts receivable	24,714
(Increase) decrease in inventories	325
(Increase) decrease in prepaid expense	(9,840)
Increase (decrease) in accounts payable	759
Increase (decrease) in accrued compensation	26,184
Increase (decrease) in unearned grant funds	19,712
	<u><u>\$ (332)</u></u>

The accompanying notes to financial statements are an integral part of this statement

SCHEDULE 1

**RUTHERFORD COUNTY PRIMARY CARE CLINIC, INC.
D/B/A PRIMARY CARE & HOPE CLINIC
(A TENNESSEE CORPORATION - NOT FOR PROFIT)
SCHEDULE OF OPERATING EXPENSES
FOR THE YEAR ENDED JUNE 30, 2005**

	INSURED PROGRAM (TENNCARE)	UNINSURED PROGRAM	COMBINED
Advertising	\$ 345	\$ 90	\$ 435
Bad debts	6,604	-	6,604
Charity care	-	274,716	274,716
Contract labor	196	2,049	2,245
Depreciation	29,840	9,947	39,787
Dues and subscriptions	149	26	175
Fringe benefits	79,140	18,184	97,324
Fund-Raising	-	22,481	22,481
Insurance	25,877	5,854	31,731
Lab fees	150	79,540	79,690
Medi-fax fees	119	-	119
Miscellaneous	916	363	1,279
Payroll taxes	35,649	11,843	47,492
Pharmacy	-	5,934	5,934
Postage	3,032	818	3,850
Professional fees	22,000	7,000	29,000
Repairs and maintenance	15,187	3,849	19,036
Salaries and wages	493,959	254,067	748,026
Software consulting	1,271	327	1,598
Supplies	34,636	12,533	47,169
Telephone	9,671	2,561	12,232
Travel and meals	1,862	347	2,209
Utilities	6,421	1,679	8,100
Total operating expenses	\$ 767,024	\$ 714,208	\$ 1,481,232

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

RUTHERFORD COUNTY PRIMARY CARE CLINIC, INC.
(A TENNESSEE CORPORATION – NOT FOR PROFIT)
D/B/A PRIMARY HOPE & CARE CLINIC
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

(1) SIGNIFICANT ACCOUNTING POLICIES:

Inventories – Inventories are stated at cost on a first-in, first-out basis and consist of medical supplies, medicines, office and general supplies.

Fixed Assets and Depreciation – Fixed assets are recorded at cost and are depreciated on a straight-line basis over estimated useful lives of between five and forty years, based upon guideline lives established by the American Hospital Association. Fixed assets purchased with grant funds, as well as the proceeds from the disposal of such assets, are subject to a reversionary ownership interest on the part of the grantor agency, as further discussed in Note 5. Donated fixed assets are recorded at their estimated fair market value at the date of donation and are subject to the same capitalization policies as purchased assets.

Income Taxes – The Agency is a not-for-profit organization and has been granted exemption by the Internal Revenue Service under Code Section 501c (3).

Estimates – The preparation of financial statements in conformity with the generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

Material estimates that are particularly susceptible to significant change relate to the determination of the allowance for uncollectible accounts and the valuation of donated goods and services.

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.

Donated Goods and Services – Donated supplies and fixed assets are valued at their fair market value at the date of donation. Donated labor and services are valued at the prevailing wage rate for similar services provided in the community. Amounts included in the accompanying financial statements include \$90,192 for wages and \$76,634 for lab fees for the uninsured program. If the Agency had not received these services, operating losses of approximately \$156,391 would have been incurred by the uninsured program.

(2) ORGANIZATION AND GENERAL:

Rutherford County Primary Care Clinic, Inc. (The Agency) was organized on October 3, 1991 for the purpose of providing basic primary health care services to low-income persons residing in Rutherford County, Tennessee. The Agency began receiving both insured and uninsured patients on May 11, 1992. Effective January 1, 1994, the Agency began receiving patients under the TennCare Program.

The uninsured program was reorganized to incorporate volunteers, principally due to the initiative of a concerned Adult Nurse Practitioner in the community who saw a need to increase access to health care for indigent patients in the area. Through the efforts of this individual, donations of money and volunteer labor were obtained, and combined with the existing infrastructure of the Agency greatly expanded the Agency's ability to provide quality health care to the uninsured.

(3) INVENTORIES:

Inventories at June 30, 2005 consist of the following:

Medical supplies	\$ 6,433
Office supplies	2,929
General supplies	<u>336</u>
	<u>\$ 9,698</u>

(4) SIGNIFICANT FUNDING SOURCES:

A major portion of the Agency's funding is provided by grants from Rutherford County, Tennessee, United Way, capitation payments, fees for services received as a TennCare provider and other private grants. A major reduction of funds by any of these sources, should this occur, may have a significant effect on future operations.

(5) REVERSIONARY INTEREST:

As discussed in Note 1, certain equipment owned by the Agency has been purchased in part with grant funds and is subject to return to the grantor either upon its ultimate disposition or for failure to comply with the terms and conditions of the grant contract for the useful life of the equipment. The grantor's interest in this equipment is limited to the percentage of the original purchase price originally paid for the grant funds. In addition, the building and equipment purchased with the Christy Houston grant funds will become the property of the grantor should they not be used for their intended purpose as a medical clinic.

(6) RETIREMENT PLAN:

The Agency established a 401-K retirement plan for eligible employees. Employees may contribute up to 15% of compensation. The Agency will match contributions up to the first 3% of salary. In addition, the Agency may make discretionary contributions. Total expense to the Agency for the year was \$11,590. A discretionary contribution was not made for the year ended June 30, 2005.

(7) CONCENTRATIONS OF CREDIT RISK:

The total cash held by the organization at June 30, 2005 includes \$73,684 in monies that are not covered by insurance provided by the federal government. It is the opinion of management that the solvency of the financial institution is not of particular concern at this time.