

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, 2006

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

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INDEPENDENT AUDITOR'S REPORT

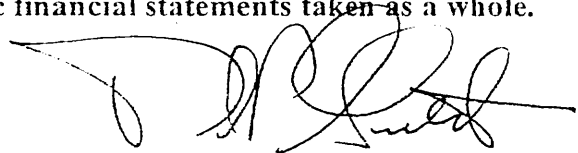
To the Board of Directors
Rutherford County Primary Care Clinic, Inc.
d/b/a Primary Care & Hope Clinic
Murfreesboro, Tennessee

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, 2006 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 statement referred to above presents 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, 2006, 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 19, 2006

DAVID P. GUENTHER

RUTHERFORD COUNTY PRIMARY CARE CLINIC, INC.
D/E/A PRIMARY CARE & HOPE CLINIC
(A TENNESSEE CORPORATION - NOT FOR PROFIT)
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2006

ASSETS

Current assets:

Cash	\$ 287,808
Accounts receivable, net of allowance of \$13,835	17,128
Inventories, at cost	7,814
Prepaid expenses	22,919
Total current assets	<u>\$ 335,669</u>

Fixed assets:

Land	\$ 862,300
Building and improvements	474,745
Medical equipment	71,253
Other equipment	93,692
Construction in progress	107,112
	<u>\$ 1,609,102</u>

Less: Accumulated depreciation

Total fixed assets	<u>(202,070)</u>
	<u>\$ 1,407,032</u>

Other assets:

Utility deposits	\$ 558
CertificateS of deposit	900,000
Total other assets	<u>\$ 900,558</u>

Total assets	<u><u>\$ 2,643,259</u></u>
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LIABILITIES AND NET ASSETS

Current liabilities:

Accounts payable	\$ 25,647
Accrued payroll	36,793
Accrued vacation	41,768
Total current liabilities	<u>\$ 104,208</u>

Net assets:

Unrestricted	\$ 1,622,413
Temporarily restricted	916,638
Total net assets	<u>\$ 2,539,051</u>

Total liabilities and net assets	<u><u>\$ 2,643,259</u></u>
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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, 2006

	Unrestricted			
	Insured Program (TennCare)	Uninsured Program	Building	Combined
Revenues:				
Patient fees	\$ 469,787	\$ 559,052	\$ -	\$ 1,028,839
Less: Fee adjustments	(32,163)	-	-	(32,163)
TennCare capitation payments	43,789	-	-	43,789
TennCare safety net payments	-	180,000	-	180,000
Net patient fees	\$ 481,413	\$ 739,052	\$ -	\$ 1,220,465
Grant - City of Murfreesboro	-	10,000	-	10,000
Grant - Rutherford County	-	30,000	-	30,000
Cash contributions	-	76,758	-	76,758
Donated land - City of Murfreesboro	-	-	762,300	762,300
Donated goods and services	-	245,874	-	245,874
Grant - Christy Houston Foundation	-	-	-	-
Other grants	-	80,962	-	80,962
United Way	-	25,842	-	25,842
Interest income	22,717	25	-	22,742
Miscellaneous income	5,109	-	-	5,109
Net assets released from restriction	-	-	107,112	107,112
Total revenues	\$ 509,239	\$ 1,208,513	\$ 869,412	\$ 2,587,164
Expenses:				
Operating expenses-Schedule 1	\$ 569,166	\$ 1,276,678	\$ -	\$ 1,845,844
Loss on sale of fixed assets	-	5,766	-	5,766
Total expenses	\$ 569,166	\$ 1,282,444	\$ -	\$ 1,851,610
Excess (deficit) of revenues over expenses	\$ (59,927)	\$ (73,931)	\$ 869,412	\$ 735,554

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

Temporarily Restricted	Total
\$ -	\$ 1,028,839
-	(32,163)
-	43,789
-	180,000
\$ -	\$ 1,220,465
-	
-	10,000
-	30,000
-	76,758
-	762,300
-	245,874
1,000,000	1,000,000
23,750	104,712
-	25,842
-	22,742
-	5,109
(107,112)	-
\$ 916,638	\$ 3,503,802
\$ -	\$ 1,845,844
-	5,766
\$ -	\$ 1,851,610
\$ 916,638	\$ 1,652,192

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, 2006

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Net Assets, June 30, 2005	\$ 886,859	\$ -	\$ 886,859
Excess of revenues over expenses for the year ended June 30, 2006	<u>735,554</u>	<u>916,638</u>	<u>1,652,192</u>
Net Assets, June 30, 2006	<u>\$ 1,622,413</u>	<u>\$ 916,638</u>	<u>\$ 2,539,051</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, 2006

Cash provided by operating activities:	
Cash collected from patients, grantors and donors	\$ 2,449,840
Cash paid to suppliers and employees	(1,529,332)
Interest received	22,742
Net cash flows from operations	<u>\$ 943,250</u>
Cash provided (used) by financing activities:	
Sale of fixed assets	\$ 4,450
Purchase of fixed assets	(95,528)
Net cash outflows from financing activities:	<u>\$ (91,078)</u>
Cash provided (used) by investing activities:	
Decrease in utility deposit	\$ 112
Purchase of certificate of deposit	(800,000)
Net cash outflows from investing activities:	<u>\$ (799,888)</u>
Net increase in cash for the year	\$ 52,284
Cash beginning of year	235,524
Cash end of year	<u><u>\$ 287,808</u></u>

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

Excess of revenues over expenses	\$ 1,652,192
Adjustments needed to reconcile to net cash provided by operating activities:	
Depreciation	30,303
Donated land	(762,300)
Loss on sale of fixed assets	5,766
Change in current assets and liabilities:	
(Increase) decrease in accounts receivable	6,671
(Increase) decrease in inventories	1,884
(Increase) decrease in prepaid expense	9,569
Increase (decrease) in accounts payable	19,393
Increase (decrease) in accrued compensation	(516)
Increase (decrease) in unearned grant funds	(19,712)
	<u><u>\$ 943,250</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)
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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, 2006

	INSURED PROGRAM (TENNCARE)	UNINSURED PROGRAM	COMBINED
Bad debts	\$ 13,376	\$ 175	\$ 13,551
Charity care	-	550,638	550,638
Depreciation	15,151	15,152	30,303
Dues and subscriptions	792	275	1,067
Fringe benefits	78,605	30,595	109,200
Fund-Raising	-	20,610	20,610
Insurance	26,383	13,016	39,399
Lab fees	-	102,432	102,432
Miscellaneous	733	546	1,279
Payroll taxes	25,139	25,138	50,277
Pharmacy	-	41,105	41,105
Postage	1,719	789	2,508
Professional fees	20,950	8,050	29,000
Repairs and maintenance	7,203	2,932	10,135
Salaries and wages	328,463	438,287	766,750
Software consulting	1,071	485	1,556
Supplies	33,673	19,367	53,040
Telephone	8,785	3,927	12,712
Travel and meals	920	487	1,407
Utilities	6,203	2,672	8,875
Total operating expenses	\$ 569,166	\$ 1,276,678	\$ 1,845,844

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, 2006

(1) SIGNIFICANT ACCOUNTING POLICIES:

Basis of Presentation – Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Standards (SFAS) No. 117, *Financial Statements of Not-For-Profit Organizations*. Under SFAS No. 117, the Agency is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. These net assets classifications are described as follows:

Unrestricted Net Assets – not subject to donor-imposed restrictions. Unrestricted net assets may be designated for specific purposes or locations by action of the Board of Directors.

Temporarily Restricted Net Assets – subject to donor-imposed stipulations that may be fulfilled by actions of the Agency to meet the stipulations or become unrestricted at the date specified by the donor.

Permanently Restricted Net Assets – subject to donor-imposed stipulations that they be retained and invested permanently by the Agency.

Temporarily restricted net assets represent donations received but not expended for the construction of a new facility.

The Agency has no permanently restricted net assets.

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).

(3) INVENTORIES:

Inventories at June 30, 2006 consist of the following:

Medical supplies	\$ 4,599
Office supplies	2,953
General supplies	<u>262</u>
	<u>\$ 7,814</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 \$13,570. A discretionary contribution was not made for the year ended June 30, 2006.

(7) CONCENTRATIONS OF CREDIT RISK:

The total cash held by the organization at June 30, 2006 includes \$921,810 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.

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 \$109,824 for wages, \$34,118 for pharmacy, and \$107,931 for lab fees for the uninsured program. If the Agency had not received these services, operating losses of approximately \$309,006 would have been incurred by the uninsured program.

In addition, the City of Murfreesboro, Tennessee, donated a 2.5 acre tract of land to the Agency in April, 2006, for the site of a new, larger clinic. This tract of land was valued at \$762,300, which is based upon the price per square foot for which the City has been selling tracts of land in this development to other entities.

(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.