

SALVUS CENTER, INC.
AUDITED FINANCIAL STATEMENTS
JUNE 30, 2016 and 2015

TABLE OF CONTENTS

Independent Auditor's Report	1-2
Statements of Assets, Liabilities and Net Assets – Modified Cash Basis	3
Statements of Support, Revenue, Expenses and Changes in Net Assets – Modified Cash Basis	4-5
Statements of Functional Expenses – Modified Cash Basis	6-7
Statements of Cash Flows – Modified Cash Basis	8
Notes to Financial Statements	9-12

McMurray & Associates

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Salvus Center, Inc.

We have audited the accompanying financial statements of Salvus Center, Inc. (a nonprofit organization) which comprise the statements of assets, liabilities, and net assets – modified cash basis as of June 30, 2016 and 2015, and the related statements of support, revenue, and expenses – modified cash basis and functional expenses – modified cash basis and cash flows – modified cash basis for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and net assets of Salvus Center, Inc. as of June 30, 2016 and 2015, and its support, revenue and expenses, functional expenses and cash flows for the years then ended in accordance with the modified cash basis of accounting as described in Note 1.

McMurray & Associates

McMurray & Associates, CPAs
Hendersonville, Tennessee
October 31, 2016

SALVUS CENTER, INC.
STATEMENTS OF ASSETS, LIABILITIES AND NET ASSETS - MODIFIED CASH BASIS
AS OF JUNE 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 115,154	\$ 68,928
Total current assets	<u>115,154</u>	<u>68,928</u>
Fixed assets		
Land	277,979	277,979
Building	425,732	425,732
Building improvements	41,276	19,676
Medical office equipment, furniture & fixtures	160,430	153,478
Software	38,318	38,318
	<u>943,735</u>	<u>915,183</u>
Less: accumulated depreciation	(236,618)	(210,138)
Net property and equipment	<u>707,117</u>	<u>705,045</u>
Total assets	<u><u>\$ 822,271</u></u>	<u><u>\$ 773,973</u></u>

LIABILITIES AND NET ASSETS

Current liabilities		
Accrued liabilities	\$ 490	\$ 1,080
Unearned rental revenue	1,050	1,050
Line of credit	193	193
Total current liabilities	<u>1,733</u>	<u>2,323</u>
Total liabilities	<u>1,733</u>	<u>2,323</u>
Net assets		
Unrestricted	820,538	771,650
Total net assets	<u>820,538</u>	<u>771,650</u>
Total liabilities and net assets	<u><u>\$ 822,271</u></u>	<u><u>\$ 773,973</u></u>

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

SALVUS CENTER, INC.
STATEMENT OF SUPPORT, REVENUE, EXPENSES, AND CHANGES IN NET ASSETS
- MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues			
Non-government grant/donations	\$ 241,537	\$ -	\$ 241,537
Government grants	110,884	-	110,884
Patient fees	114,631	-	114,631
Contract service fees	28,414	-	28,414
Individual/business contributions	75,691	-	75,691
In-kind donations	40,050	-	40,050
Fundraisers	58,385	-	58,385
Rental income	27,659	-	27,659
Interest	105	-	105
Total revenues	<u>697,356</u>	<u>-</u>	<u>697,356</u>
Expenses			
Program services	<u>\$ 456,822</u>	<u>\$ -</u>	<u>\$ 456,822</u>
Total program services	456,822	-	456,822
Supporting services			
Management and general	\$ 99,545	\$ -	\$ 99,545
Fundraising	92,101	-	92,101
Total supporting services	<u>191,646</u>	<u>-</u>	<u>191,646</u>
Total expenses	<u>\$ 648,468</u>	<u>\$ -</u>	<u>\$ 648,468</u>
Increase in net assets	48,888	-	48,888
Net assets at beginning of year	<u>771,650</u>	<u>-</u>	<u>771,650</u>
Net assets at end of year	<u><u>\$ 820,538</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 820,538</u></u>

See independent auditor's report and notes to financial statements

SALVUS CENTER, INC.
STATEMENT OF SUPPORT, REVENUE, EXPENSES AND CHANGES IN NET ASSETS
-MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues			
Non-government grant/donations	\$ 274,937	\$ -	\$ 274,937
Government grants	114,973	-	114,973
Patient fees	118,342	-	118,342
Contract service fees	46,421	-	46,421
Individual/business contributions	65,802	-	65,802
In-kind donations	32,100	-	32,100
Fundraisers	53,018	-	53,018
Rental income	18,000	-	18,000
Interest	66	-	66
Other	5,948	-	5,948
Net assets moved from temporarily restricted	18,639	(18,639)	-
Total revenues	<u>748,246</u>	<u>(18,639)</u>	<u>729,607</u>
Expenses			
Program services	\$ 549,953	\$ -	\$ 549,953
Total program services	<u>549,953</u>	<u>-</u>	<u>549,953</u>
Supporting services			
Management and general	\$ 121,624	\$ -	\$ 121,624
Fundraising	79,231	-	79,231
Total supporting services	<u>200,855</u>	<u>-</u>	<u>200,855</u>
Total expenses	<u>\$ 750,808</u>	<u>\$ -</u>	<u>\$ 750,808</u>
Increase (decrease) in net assets	(2,562)	(18,639)	(21,201)
Net assets at beginning of year	<u>774,212</u>	<u>18,639</u>	<u>792,851</u>
Net assets at end of year	<u><u>\$ 771,650</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 771,650</u></u>

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

SALVUS CENTER, INC.
STATEMENT OF FUNCTION EXPENSES - MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2016

	Program Service	Management and General	Fundraising	Total
Salaries	\$ 285,361	\$ 46,642	\$ 51,281	\$ 383,284
Employee benefits	24,688	4,895	-	29,583
Payroll taxes	21,905	3,587	3,943	29,435
Total personnel cost	331,954	55,124	55,224	442,302
Building Operations:				
Building maintenance & repairs	\$ 7,763	\$ 260	\$ -	\$ 8,023
Utilities	3,769	25	-	3,794
General operations:				
Advertising	419	663	150	1,232
Bank charges	580	436	-	1,016
Dues & registration fees	580	1,070	-	1,650
Insurance	4,915	1,454	-	6,369
Interest	-	11	-	11
Licenses & permits	845	495	-	1,340
Meals & entertainment	77	1,073	1,469	2,619
Office expense	1,869	1,940	803	4,612
Payroll processing	-	2,075	-	2,075
Professional services	1,415	4,900	-	6,315
Postage	1,390	49	834	2,273
Staff development & recruiting	790	643	-	1,433
Supplies	3,963	217	100	4,280
Technical support	12,311	165	-	12,476
Telecommunications	5,930	-	-	5,930
Total operations	46,616	15,476	3,356	65,448
Program:				
Contract service expense	\$ 29,293	\$ -	\$ -	\$ 29,293
Dental supplies	2,916	-	-	2,916
Medical supplies	5,902	-	-	5,902
Malpractice insurance	5,607	2,465	-	8,072
Medical waste disposal	1,338	-	-	1,338
Patient assistance	3,946	-	-	3,946
Total program services	49,002	2,465	-	51,467
Fundraisers:				
Fundraising consultant	\$ -	\$ -	\$ 18,000	\$ 18,000
Fundraising event	-	-	15,521	15,521
Total fundraising expense	-	-	33,521	33,521
Total expenses before depr & in-kind	\$ 427,572	\$ 73,065	\$ 92,101	\$ 592,738
In-kind expenses	29,250	-	-	29,250
Depreciation	-	26,480	-	26,480
Total expenses	\$ 456,822	\$ 99,545	\$ 92,101	\$ 648,468

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

SALVUS CENTER, INC.
STATEMENT OF FUNCTION EXPENSES - MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2015

	Program Service	Management and General	Fundraising	Total
Salaries	\$ 324,808	\$ 55,604	\$ 42,646	\$ 423,058
Employee benefits	22,529	7,838	1,911	32,278
Payroll taxes	25,272	4,179	3,289	32,740
Total personnel cost	372,609	67,621	47,846	488,076
Building Operations:				
Building rent	\$ 32,328	\$ 1,090	\$ -	\$ 33,418
Building maintenance & repairs	9,324	2,675	-	11,999
Utilities	8,395	542	-	8,937
General operations:				
Bank charges	24	603	-	627
Dues & registration fees	-	1,329	-	1,329
Insurance	8,200	3,466	-	11,666
Interest	-	226	-	226
Licenses & permits	215	1,903	-	2,118
Meals & entertainment	236	1,023	1,317	2,576
Office expense	1,890	1,940	663	4,493
Payroll processing	-	2,022	-	2,022
Professional services	805	4,800	-	5,605
Postage	1,598	486	858	2,942
Staff development & recruiting	50	2,006	109	2,165
Supplies	4,189	1,500	78	5,767
Technical support	7,016	3,850	-	10,866
Telecommunications	9,470	-	-	9,470
Total operations	83,740	29,461	3,025	116,226
Program:				
Contract service expense	\$ 30,773	\$ -	\$ -	\$ 30,773
Dental supplies	1,276	-	-	1,276
Medical supplies	5,630	-	-	5,630
Malpractice insurance	354	10,879	-	11,233
Medical waste disposal	1,809	-	-	1,809
Patient assistance	7,887	-	-	7,887
Total program services	47,729	10,879	-	58,608
Fundraisers:				
Fundraising consultant	\$ -	\$ -	\$ 18,000	\$ 18,000
Fundraising event	-	-	9,685	9,685
Total fundraising expense	-	-	27,685	27,685
Total expenses before depr & in-kind	\$ 504,078	\$ 107,961	\$ 78,556	\$ 690,595
In-kind expenses	32,100	-	-	32,100
Depreciation	13,775	13,663	675	28,113
Total expenses	\$ 549,953	\$ 121,624	\$ 79,231	\$ 750,808

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

SALVUS CENTER, INC.
STATEMENTS OF CASH FLOW
-MODIFIED CASH BASIS
FOR THE YEARS ENDED JUNE 30, 2016 and 2015

	2016	2015
<u>Cash Flows From Operating Activities</u>		
Increase (Decrease) in net assets	\$ 48,888	\$ (21,201)
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Change in assets and liabilities:		
Depreciation expense	26,480	28,113
Contributions of fixed assets	(10,800)	-
(Decrease) Increase in accrued liabilities	(590)	650
Increase in unearned rental revenue	-	1,050
Total adjustments	<u>15,090</u>	<u>29,813</u>
Net cash provided by (used in) operating activities	63,978	8,612
<u>Cash Flows from Investing Activities</u>		
Purchase of fixed assets	<u>(17,752)</u>	<u>(4,953)</u>
Net cash used in investing activities	(17,752)	(4,953)
<u>Cash Flows from Financing Activities</u>		
Payments toward notes payable	-	(24,363)
Proceeds from notes payable	<u>-</u>	<u>20,193</u>
Net cash (used in) provided by financing activities	-	(4,170)
Net decrease in cash and cash equivalents	<u>46,226</u>	<u>(511)</u>
Cash and cash equivalents, beginning of year	<u>68,928</u>	<u>69,439</u>
Cash and cash equivalents, end of year	<u><u>\$ 115,154</u></u>	<u><u>\$ 68,928</u></u>

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

SALVUS CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 and 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Nature of Activities

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

B. Basis of Accounting

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

C. Basis of Presentation

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed stipulations. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Accordingly, 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 stipulations.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Center's and/or the passage of time. Restrictions that are fulfilled in the same accounting period in which the funds are received are reported in the statement of activities as unrestricted. Otherwise, when a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported as net assets released from restrictions. The Center has no temporarily restricted net assets at June 30, 2016.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Center. The Center has no permanently restricted net assets at June 30, 2016.

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

SALVUS CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 and 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Use of Estimates

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

E. 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.

F. Property and Equipment

Property and equipment are recorded at cost or, if donated, at the estimated fair market value at the date of donation. Property and equipment (including software) are depreciated using the straight-line method over the life of the asset, between 3 to 5 years. The building is depreciated using the straight-line method over the estimated useful life of thirty-nine years. Building improvements in Gallatin are depreciated over the life of the building of thirty-nine years. Depreciation expense for the years ended June 30, 2016 and 2015 is \$26,480 and \$28,113, respectively. Repair and maintenance costs are expensed as incurred.

G. Contributed Services

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

H. Program Services

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

I. Advertising Costs

Advertising costs are expensed as incurred. Total advertising cost for the year ended June 30, 2016 and 2015 is \$1,230 and \$0, respectively.

J. Income Taxes

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

The Center's Form 990, Return of Organization Exempt from Income Tax, for the years ended 2016, 2015 and 2014 are subject to examination by the IRS, generally three years after they are filed.

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

SALVUS CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 and 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Vacation and Sick Time

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

NOTE 2 – LINE OF CREDIT

The Center maintains a line of credit with Sumner Bank and Trust in the amount of \$250,000, with interest at 4.5%. There was \$193 bank charge for the line of credit drawn for the year ending June 30, 2016. The Deed of Trust on the property located at 556 Hartsville Pike, Gallatin, Tennessee is collateral for the line of credit. The maturity date of the line of credit is February 25, 2017.

NOTE 3 – OPERATING LEASE COMMITMENT

The Center had a month-to-month operating lease arrangement in place for its Hendersonville clinic with JBE, LLC. The Hendersonville clinic was located at 107 Imperial Boulevard, Ste. #3, Hendersonville, Tennessee. The leased space consists of 2,020 rentable square feet. The lease requires monthly payments of \$2,694 for a total rent expense of \$0 and \$32,328 for years ended June 30, 2016 and 2015, respectively. The Center ended the lease arrangement and closed this location at the end of the June 2015.

The Center entered into a cooperative agreement with the Sumner County Health Department, for the use of dental space and equipment. The agreement was entered into September 28, 2012 for a term of one year, with automatic renewal each year unless ended by either party with a 60 day notice. The space is 1,000 square feet and is used one day per week. The fair value of rent expense is considered immaterial and is not included in the accompanying financial statements.

NOTE 4 – LEASE ARRANGEMENTS

In November 2014, the Center entered into a lease arrangement with an orthopedics practice tenant for approximately 2000 square feet of space in the adjoining suite in the Center's building located at 556 Hartsville Pike in Gallatin, TN. The lease is for three years ending on November 30, 2017 with current monthly payments of \$2,295 per month escalating 2% annually in November. Rental revenue for the years ending June 30, 2016 and 2015 were \$27,659 and \$18,000, respectively.

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

SALVUS CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 and 2015

NOTE 5 – DONATED SERVICES AND ASSETS

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

	2016	2015
Public support and revenues		
Donated services	\$40,050	\$32,100
Total public support and revenues	\$40,050	\$32,100
Expenditures		
Professional fees – dental	\$13,200	\$16,200
Professional fees – medical	16,050	15,900
Total expenditures	\$29,250	\$32,100
Assets		
Building improvements	10,800	0
Total assets	\$ 10,800	\$ 0
	\$40,050	\$32,100

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.

NOTE 7 – CONCENTRATIONS

The Center received approximately 49% and 49% of its total support and revenues from donors who contributed cash, in-kind and professional services for the years ended June 30, 2016 and 2015, respectively. During the year ended June 30, 2016, there were four donors that contributed 23% of the cash and donated contributions. During the year ended June 30, 2015, there were four donors that contributed 24% of the cash and donated contributions.

Government grants and reimbursements accounted for 16% and 16% of the total support and revenues for the years ended June 30, 2016 and 2015, respectively.

NOTE 8 – SUBSEQUENT EVENTS

Salvus Center, Inc. has evaluated events and transactions for subsequent events that would impact the financial statements for the year ended June 30, 2016 through October 31, 2016, the date the financial statements were available to be issued. There were no subsequent events that require recognition in the financial statements.

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