

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

June 30, 2022 and 2021

(With Independent Auditor's Report Thereon)

RUTHERFORD COUNTY PRIMARY CARE CLINIC, INC.
(d/b/a PRIMARY CARE AND HOPE CLINIC)

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Independent Auditor's Report

To the Board of Directors
of Rutherford County Primary Care Clinic, Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Rutherford County Primary Care Clinic, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the fiscal years then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Rutherford County Primary Care Clinic, Inc. as of June 30, 2022 and 2021, 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.

Basis for Opinion

We conducted our audit 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Rutherford County Primary Care Clinic, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Rutherford County Primary Care Clinic, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Rutherford County Primary Care Clinic, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Rutherford County Primary Care Clinic, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2, U.S. *Code of Federal Regulations* 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 of 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 November 4, 2022 on our consideration of Rutherford County Primary Care Clinic, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 the effectiveness of Rutherford County Primary Care Clinic, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Rutherford County Primary Care Clinic, Inc.'s internal control over financial reporting and compliance.



Lebanon, TN
November 4, 2022

Rutherford County Primary Care Clinic, Inc.
(d/b/a Primary Care and Hope Clinic)
 Statements of Financial Position
 June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
<i>Current Assets</i>		
Cash and Cash Equivalents	\$ 6,321,024	\$ 6,653,133
Accounts Receivable	424,819	265,829
Contract 340B Receivables	183,913	67,765
Other Contract Receivables	588,944	580,101
Grants Receivable	659,339	829,611
Inventory	76,769	63,388
Prepaid Expenses	39,058	39,531
<i>Total Current Assets</i>	<u>8,293,866</u>	<u>8,499,358</u>
 Grants Receivable - Long Term	 496,000	 1,017,100
Property and Equipment, Net	8,532,567	5,772,990
 Total Assets	 <u>\$ 17,322,433</u>	 <u>\$ 15,289,448</u>
 LIABILITIES AND NET ASSETS		
<i>Current Liabilities</i>		
Accounts Payable	\$ 154,143	\$ 181,246
Accrued Payroll Liabilities	482,028	406,091
Accrued Compensated Absences	346,423	264,898
<i>Total Current Liabilities</i>	<u>982,594</u>	<u>852,235</u>
 Total Liabilities	 <u>982,594</u>	 <u>852,235</u>
 Net Assets - Without Donor Restrictions	 15,314,684	 12,328,889
Net Assets - With Donor Restrictions	1,025,155	2,108,324
 Total Net Assets	 <u>16,339,839</u>	 <u>14,437,213</u>
 Total Liabilities and Net Assets	 <u>\$ 17,322,433</u>	 <u>\$ 15,289,448</u>

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

Rutherford County Primary Care Clinic, Inc.
(d/b/a Primary Care and Hope Clinic)
Statements of Activities and Changes in Net Assets
For the Years Ended June 30, 2022 and 2021

	2022	2021
Support and Revenues		
Net Patient Revenue	\$ 5,334,295	\$ 4,603,958
Contract 340B Revenue	1,275,906	1,426,580
Other Contract Revenue	1,522,641	1,471,640
Federal Grants	2,782,440	3,121,146
Other Grants	523,445	469,945
Contributions	554,270	337,297
Net Assets Released from Restriction	1,137,069	429,770
Total Support and Revenues	13,130,066	11,860,336
Expenses		
Program Service Expenses	7,118,701	6,400,197
General and Administrative Expenses	3,049,787	2,753,555
Total Expenses	10,168,488	9,153,752
Other Income (Expense)		
Interest Income	10,804	13,466
Other Income	13,413	15,447
Income from Forgiveness of Debt	0	841,918
Total Other Income (Expense)	24,217	870,831
Change in Net Assets		
Without Donor Restriction	\$ 2,985,795	\$ 3,577,415
Net Assets With Donor Restriction		
Contributions	\$ 53,900	\$ 2,103,385
Net Assets Released From Restriction	(1,137,069)	(429,770)
Change in Net Assets		
With Donor Restriction	(1,083,169)	1,673,615
Total Change in Net Assets	1,902,626	5,251,030
Net Assets, Beginning of Year	14,437,213	9,186,183
Net Assets, End of Year	\$ 16,339,839	\$ 14,437,213

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

Rutherford County Primary Care Clinic, Inc.
(d/b/a Primary Care and Hope Clinic)
Statements of Functional Expenses
For the Years Ended June 30, 2022 and 2021

2022	Program Services	General and Administrative	2022 Total
Salaries and Wages	\$ 3,917,828	\$ 2,132,564	\$ 6,050,392
Fringe Benefits	759,619	413,478	1,173,097
Purchased Services			
and Professional Fees	428,870	272,084	700,954
Supplies	908,861	47,437	956,298
Donated Supplies	509,768	0	509,768
Depreciation	171,898	59,941	231,839
Travel, Communication, and Other	421,857	124,283	546,140
Total	\$ 7,118,701	\$ 3,049,787	\$ 10,168,488

2021	Program Services	General and Administrative	2021 Total
Salaries and Wages	\$ 3,429,932	\$ 1,785,966	\$ 5,215,898
Fringe Benefits	649,868	338,387	988,255
Purchased Services			
and Professional Fees	523,447	325,276	848,723
Supplies	830,297	86,464	916,761
Donated Supplies	307,454	0	307,454
Depreciation	165,182	66,130	231,312
Travel, Communication, and Other	494,017	151,332	645,349
Total	\$ 6,400,197	\$ 2,753,555	\$ 9,153,752

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

Rutherford County Primary Care Clinic, Inc.
(d/b/a Primary Care and Hope Clinic)
Statements of Cash Flows
For the Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Operating Activities		
Change in Net Assets	\$ 1,902,626	\$ 5,251,030
Reconciling Items:		
Depreciation	231,839	231,312
Income from Forgiveness of Debt	0	(833,108)
Changes in:		
Accounts Receivable	(158,990)	(86,268)
Contract 340B Receivables	(116,148)	(6,192)
Other Contracts Receivable	(8,843)	(362,840)
Grants Receivable	170,272	(689,154)
Inventory	(13,381)	4,968
Prepaid Expenses	473	5,135
Grants Receivable - Long-Term	521,100	(957,700)
Accounts Payable	(27,103)	107,143
Accrued Payroll Liabilities	75,937	54,593
Accrued Compensated Absences	81,525	(7,393)
Refundable Advance - Provider Relief	0	(169,255)
Net Cash Flows from Operating Activities	<u>2,659,307</u>	<u>2,542,271</u>
Investing Activities		
Purchases of Property and Equipment	(2,991,416)	(553,120)
Proceeds from Sale of Short-Term Investments	0	1,000,000
Net Cash Flows from Investing Activities	<u>(2,991,416)</u>	<u>446,880</u>
Financing Activities	0	0
Net Increase (Decrease) in Cash and Cash Equivalents	<u>(332,109)</u>	<u>2,989,151</u>
Cash and Cash Equivalents at Beginning of The Year	6,653,133	3,663,982
Cash and Cash Equivalents at End of The Year	<u>\$ 6,321,024</u>	<u>\$ 6,653,133</u>
Interest Paid	\$ 25,290	\$ 25,453

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

RUTHERFORD COUNTY PRIMARY CARE CLINIC, INC.
(d/b/a PRIMARY CARE AND HOPE CLINIC)

Notes to Financial Statements

June 30, 2022 and 2021

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

(a) Nature of The Business

Rutherford County Primary Care Clinic, Inc. (d/b/a/ Primary Care and Hope Clinic) (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, 2022 and 2021, cash equivalents consisted primarily of insured cash sweep accounts.

(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.
(d/b/a PRIMARY CARE AND HOPE CLINIC)

Notes to Financial Statements

June 30, 2022 and 2021

(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, 2022 and 2021.

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 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, 2022 and 2021 were \$76,769 and \$63,388, respectively.

RUTHERFORD COUNTY PRIMARY CARE CLINIC, INC.
(d/b/a PRIMARY CARE AND HOPE CLINIC)

Notes to Financial Statements

June 30, 2022 and 2021

(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, which generally range from three to ten years for furniture and equipment and fifteen to thirty years for land and leasehold improvements. Expenditures for maintenance and repairs are expensed when incurred. Expenditures for renewals or betterments are capitalized. The threshold for capitalization is \$5,000. 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) Revenue

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.

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 payers are generally sent within a few days or weeks of the outpatient visit.

RUTHERFORD COUNTY PRIMARY CARE CLINIC, INC.
(d/b/a PRIMARY CARE AND HOPE CLINIC)

Notes to Financial Statements

June 30, 2022 and 2021

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 2022 and 2021 was \$912,107 and \$859,365, respectively.

For uninsured patients who 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.

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.

(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.

(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.

RUTHERFORD COUNTY PRIMARY CARE CLINIC, INC.
(d/b/a PRIMARY CARE AND HOPE CLINIC)

Notes to Financial Statements

June 30, 2022 and 2021

(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 patient accounts receivable, which consists of amounts owed by various governmental agencies, insurance companies, and self-pay patients. The Organization manages credit risk related to receivables by recording revenue net of implicit discounts.

(n) Reclassifications

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

(2) Fair Value of Financial Instruments

Fair values of the Organization's financial instruments (principally cash and cash equivalents and receivables) 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, 2022 and 2021 that were available for general expenditures:

	<u>2022</u>	<u>2021</u>
Cash and Cash Equivalents	\$ 6,321,024	\$ 6,653,133
Accounts Receivable	424,819	265,829
Contract 340B Receivables	183,913	67,765
Other Contracts Receivable	588,944	580,101
Grants Receivable	<u>659,339</u>	<u>829,611</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 8,178,039</u>	<u>\$ 8,396,439</u>

RUTHERFORD COUNTY PRIMARY CARE CLINIC, INC.
(d/b/a PRIMARY CARE AND HOPE CLINIC)

Notes to Financial Statements

June 30, 2022 and 2021

The Organization's goal is generally to maintain financial assets to meet 90 days of operating expenses (approximately \$2.5 million). As part of its liquidity plan, excess cash may be invested in short-term investments, including money market accounts and certificates of deposit. During September 2022, the Organization purchased property in Shelbyville, Tennessee for approximately \$2,918,000. The purchase was funded entirely by cash held by the Organization.

(4) Accounts Receivable

At June 30, 2022 and 2021, the Organization's accounts receivables were comprised of balances due from the following sources:

	<u>2022</u>	<u>2021</u>
Medicare	\$ 109,360	\$ 66,317
Medicaid	77,367	52,893
Commercial Insurance	236,274	137,171
Self Pay	<u>1,818</u>	<u>9,448</u>
Total Accounts Receivable	<u><u>\$ 424,819</u></u>	<u><u>\$ 265,829</u></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:

	<u>2022</u>	<u>2021</u>
Federal Grant Receivable	\$ 36,665	\$ 260,805
Tennessee SafetyNet Contract	86,846	43,806
Capital Grants Receivable	500,000	525,000
Other Grants	<u>35,828</u>	<u>0</u>
Total	<u><u>\$ 659,339</u></u>	<u><u>\$ 829,611</u></u>

There is no allowance for uncollectible receivables or discount related to these balances at June 30, 2022 or June 30, 2021.

In addition, an unconditional promise to give capital support was made to the Organization prior to June 30, 2022 for which the related donor has promised to give the Organization a total of \$500,000 during the fiscal year ending June 30, 2024. The Organization has discounted this promise to give using a rate of 0.80% and recognized a discount of \$4,000 as of June 30, 2022. At June 30, 2021, the Organization recognized discounts of \$7,900 on long-term grants receivable of \$1,025,000 using rates of 0.78% and 0.80%.

RUTHERFORD COUNTY PRIMARY CARE CLINIC, INC.
(d/b/a PRIMARY CARE AND HOPE CLINIC)

Notes to Financial Statements

June 30, 2022 and 2021

(6) Property, Plant and Equipment

A summary of property and equipment at June 30, 2022 and 2021 is as follows:

	<u>2022</u>	<u>2021</u>
Building, and Building Improvements	\$ 5,147,713	\$ 5,147,713
Land	1,702,300	1,702,300
Furniture and Equipment	857,044	855,654
Electronic Medical Records	136,335	136,335
Construction in Process	<u>3,514,543</u>	<u>529,624</u>
Total	11,357,935	8,371,626
Less: Accumulated Depreciation	<u>(2,825,368)</u>	<u>(2,598,636)</u>
Property and Equipment, net	<u>\$ 8,532,567</u>	<u>\$ 5,772,990</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, 2022 and 2021 was \$231,839 and \$231,312.

(7) Notes Payable

On April 13, 2020, 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. On May 5, 2021, the Organization was notified by the U.S. Small Business Administration (SBA) that the note, along with all accrued and unpaid interest, had been forgiven. The related income from this debt forgiveness is included in the statements of activities and changes in net assets for the fiscal year ended June 30, 2021.

(8) Operating Leases

During 2020, the Organization entered into operating leases for clinic and pharmacy space in Shelbyville, Tennessee. The leases were scheduled to terminate on September 6, 2022, and the Organization subsequently purchased the related properties during September 2022. These leases require total monthly payments of \$5,670.

During 2021, the Organization entered into a lease for clinic space in Smyrna, Tennessee. This lease is on a 24-month term and requires monthly payments of \$4,650 through March 31, 2023.

At June 30, 2021, future lease payments total \$53,190 for the fiscal year ending June 30, 2023. Rent expense incurred under these leases was approximately \$122,000 and \$113,000 during the years ended June 30, 2022 and 2021, respectively.

RUTHERFORD COUNTY PRIMARY CARE CLINIC, INC.
(d/b/a PRIMARY CARE AND HOPE CLINIC)

Notes to Financial Statements

June 30, 2022 and 2021

(9) Provider Relief Funds

During the year ended June 30, 2020, the Organization received \$169,255 of Provider Relief Funds as part of the Coronavirus Aid, Relief, and Economic Security (CARES) Act. These funds are not subject to repayment, provided that the Organization was able to demonstrate that the distributions received were used for qualifying expenses or lost profit attributable to COVID-19. Based on the Organization's revenues and expenses, including COVID-19-related expenses reimbursed by other sources, the Organization earned \$169,255 during the fiscal year ended June 30, 2021. The revenue is included with federal grant revenue in the accompanying statements of activities and changes in net assets for the year ended June 30, 2021.

(10) 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 June 30:

	<u>2022</u>	<u>2021</u>
Capital Expansion	\$ 996,000	\$ 2,108,324
Mental Health Services	<u>29,155</u>	<u>0</u>
Total Net Assets With Donor Restriction	<u><u>\$ 1,025,155</u></u>	<u><u>\$ 2,108,324</u></u>

(11) Net Patient Revenue

The following summarizes net patient service revenue, net of contractual allowances and discounts by significant payer for the years ended June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Medicare	\$ 1,162,745	\$ 976,807
Medicaid	887,586	779,444
Commercial Insurance	2,611,478	2,137,280
Self Pay	<u>672,486</u>	<u>710,427</u>
Total Net Patient Revenue	<u><u>\$ 5,334,295</u></u>	<u><u>\$ 4,603,958</u></u>

(12) Federal Grants

The Organization earned federal grants in the amount of \$2,782,440 and \$3,121,146 of which all was obligated for the years ended June 30, 2022 and 2021, 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.

RUTHERFORD COUNTY PRIMARY CARE CLINIC, INC.
(d/b/a PRIMARY CARE AND HOPE CLINIC)

Notes to Financial Statements

June 30, 2022 and 2021

(13) 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 for qualified patients. Reported 340B revenue consists of the in-house pharmacy sales and reimbursement from the network of participating pharmacies.

	<u>2022</u>	<u>2021</u>
Gross Receipts	\$ 2,879,819	\$ 2,711,408
Drug Replenishment and Other Costs	<u>(1,708,227)</u>	<u>(1,612,055)</u>
Net 340B Revenue	<u>\$ 1,171,592</u>	<u>\$ 1,099,353</u>

The 340B gross receipts are included in contract 340B revenue and net patient revenue in the statements of activities and changes in net assets. The drug replenishment and other costs are included in supplies and purchased services and professional fees, respectively, on the statements 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.

(14) Contributions

The Organization received contributions of \$554,270 and \$337,297 during the years ended June 30, 2022 and 2021. A summary of the contributions are as follows:

The Organization received donated pharmaceuticals with estimated fair values of \$506,651 and \$274,975, during the fiscal years ended June 30, 2022 and 2021, respectively.

During the years ended June 30, 2022 and 2021, the Organization also received donations of medical supplies. The total estimated fair market values of these gift-in-kind contributions were \$3,117 and \$32,479 for the years ended June 30, 2022 and 2021, respectively.

The Organization also received cash donations of \$44,502 and \$29,843 during the years ended June 30, 2022 and 2021, respectively.

(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.
(d/b/a PRIMARY CARE AND HOPE CLINIC)

Notes to Financial Statements

June 30, 2022 and 2021

(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 expense recognized by the Organization during the years ended June 30, 2022 and 2021 totaled \$114,725 and \$105,820, respectively.

(17) Significant Source of Revenue

Approximately 21% and 26% of the Organization's revenue earned during the fiscal years ended June 30, 2022 and 2021, respectively, was attributable to grants received from the U.S. Department of Health and Human Services and Centers for Disease Control. The Organization is dependent on this continued funding and the absence of these grants could 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 disclosure below.

During September 2022, the Organization purchased a building in Shelbyville, Tennessee for approximately \$2,918,000. The purchase was funded entirely by cash held by the Organization.

(21) Future Accounting Changes

The Financial Accounting Standards Board issued Accounting Standards Update 2016-02, *Leases (Topic 842)*, which it believes will improve the current reporting requirements. Under the new standard, lessees will now be required to recognize substantially all leases on the statements of financial position as both a right-of-use asset and a liability. The new standard is effective for annual periods beginning after December 15, 2021. The Organization has not yet determined the effect these changes will have on its financial statements.

SUPPLEMENTAL SCHEDULES

RUTHERFORD COUNTY PRIMARY CARE CLINIC, INC.
(d/b/a PRIMARY CARE AND HOPE CLINIC)

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2022

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	\$ 1,330,639
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	395,001
COVID-19 Health Center Program (Community Health Centers, Migrant Health, Health Care for the Homeless, and Public Housing Primary Care) <i>Grant No. H8ECS 38807, and H8FCS 40791</i>	93.224	N/A	N/A	<u>1,003,332</u>
Total Health Center Program Cluster				\$ 2,728,972
Pass Through Grant Vanderbilt University Advanced Nursing Education Workforce Grant Program <i>Grant No. OSA00000092</i>	93.247	N/A	N/A	35,828
<u>Centers for Disease Control and Prevention</u>				
Pass Through Grant Tennessee Primary Care Association Activities to Support State, Tribal, Local and Territorial (STLT) Health Department Response to Public Health or Healthcare Crises <i>Grant No. CDC-RFA-OT21-2103</i>	93.391	N/A	N/A	<u>17,640</u>
Total Federal Grants				<u>\$ 2,782,440</u>

RUTHERFORD COUNTY PRIMARY CARE CLINIC, INC.
(d/b/a PRIMARY CARE AND HOPE CLINIC)

Notes to Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2022

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. (d/b/a/ Primary Care and Hope Clinic) under programs of the federal government for the year ended June 30, 2022. 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. (d/b/a/ Primary Care and Hope Clinic), 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. (d/b/a/ Primary Care and Hope Clinic)

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. The Organization 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.



TERRY L. HORNE, CPA

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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*

To the Board of Directors
of Rutherford County Primary Care Clinic, Inc.

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. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 4, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Rutherford County Primary Care Clinic, Inc.'s internal control over financial reporting (internal control) as a basis for designing 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.

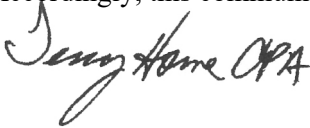
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on 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 financial statements. 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 organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink, appearing to read "Jenny Home CPA". The signature is fluid and cursive, with the letters "CPA" clearly visible at the end.

Lebanon, TN
November 4, 2022



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Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over
Compliance Required by the Uniform Guidance

To the Board of Directors
of Rutherford County Primary Care Clinic, Inc.

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Rutherford County Primary Care Clinic, Inc.'s compliance with the types of compliance requirements identified as subject to audit 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, 2022. 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.

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, 2022.

Basis for Opinion on Each Major Federal Program

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 the audit 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Rutherford County Primary Care Clinic, Inc. and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Rutherford County Primary Care Clinic, Inc.'s compliance with the requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Rutherford County Primary Care Clinic, Inc.'s federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Rutherford County Primary Care Clinic, Inc.'s compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Rutherford County Primary Care Clinic, Inc.'s compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Rutherford County Primary Care Clinic, Inc.'s compliance with compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Rutherford County Primary Care Clinic, Inc.'s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances, and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Rutherford County Primary Care Clinic, Inc.'s internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink, reading "Jany Hume CPA". The signature is written in a cursive style with a large initial "J" and "H".

Lebanon, TN
November 4, 2022

**RUTHERFORD COUNTY PRIMARY CARE CLINIC, INC.
(d/b/a PRIMARY CARE AND HOPE CLINIC)**

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2022

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.
(d/b/a PRIMARY CARE AND HOPE CLINIC)

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2022

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.
(d/b/a PRIMARY CARE AND HOPE CLINIC)

Summary Schedule of Prior Year Audit Findings

June 30, 2022

There were no findings in the prior year audit.