Salvus Center, Inc.
Audited Financial Statements
Years Ended June 30, 2012 and 2011

STICKEL, CPA, PC

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Member of Tennessee Society of
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STICKEL, CPA, PC

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Certified Public Accountant

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Salvus Center, Inc.

I have audited the accompanying statements of assets, liabilities and net assets – modified cash basis of Salvus Center, Inc. (a nonprofit corporation) as of June 30, 2012 and 2011, and the related statements of support, revenue, expenses and changes in net assets – modified cash basis, functional expenses – modified cash basis and cash flows – modified cash basis for the years then ended. These financial statements are the responsibility of the Organization's management. My responsibility is to express an opinion on these financial statements based on my audits.

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

As described in Note 1, these financial statements were prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In my opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the assets, liabilities and net assets of Salvus Center, Inc. as of June 30, 2012 and 2011, and its support, revenues, expenses and changes in net assets and its cash flows for the years then ended, on the basis of accounting described in Note 1.

Stickel, CPA, PC

White House, Tennessee
November 29, 2012

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SALVUS CENTER, INC.
Statements of Assets, Liabilities and Net Assets - Modified Cash Basis
June 30, 2012 and 2011

	2012	2011
ASSETS		
Current assets		
Cash	$ 198,813	$ 232,881
Property tax receivable	-	4,667
Total current assets	198,813	237,548
Property and equipment		
Construction in progress	38,984	-
Land	277,979	277,979
Building and improvements	300,792	300,792
Medical and office equipment, furniture and fixtures	103,195	93,468
Software	18,301	18,301
Leasehold improvements	13,476	13,476
	752,727	704,016
Less accumulated depreciation	(121,401)	(98,740)
Property and equipment, net	631,326	605,276
Total assets	$ 830,139	$ 842,824
LIABILITIES AND NET ASSETS		
Current liabilities		
Payroll withholding	$ 1,263	$ 218
Total liabilities	1,263	218
Net assets		
Unrestricted	825,547	839,277
Temporarily restricted	3,329	3,329
Total net assets	828,876	842,606
Total liabilities and net assets	$ 830,139	$ 842,824

See notes to financial statements.

SALVUS CENTER, INC.
Statements of Support, Revenue, Expenses and Changes in Net Assets - Modified Cash Basis
Years Ended June 30, 2012 and 2011

	2012	2011
Unrestricted net assets		
Public support and revenues		
Patient fees	$ 118,470	$ 108,948
Fees for service contracts	104,646	68,326
Contributions from faith communities	35,573	46,107
Contributions from individuals	57,056	53,041
Contribution from bequest	-	167,973
Contributions from corporations	2,329	1,650
Foundation and trust grants	182,744	153,848
Non-profit grants	11,820	10,000
Government grants and reimbursements	109,621	85,940
Special event	53,320	33,598
Donated use of facilities	200	2,694
Donated property and equipment	12,026	633
Donated services	3,679	4,060
Interest and dividend income	1,884	1,594
Miscellaneous income	905	594
Net assets released from restrictions	-	-
Total unrestricted public support, revenues and reclassifications	694,273	739,006
Expenses		
Program services	562,692	536,177
Management and general	77,763	85,921
Fundraising	67,548	54,401
Total expenses	708,003	676,499
(Decrease) increase in unrestricted net assets	(13,730)	62,507
Temporarily restricted net assets		
Contributions from individuals	-	-
Net assets released from restrictions	-	-
Increase in temporarily restricted net assets	-	-
Total (decrease) increase in net assets	(13,730)	62,507
Net assets at beginning of year	842,606	780,099
Net assets at end of year	$ 828,876	$ 842,606

See notes to financial statements.

SALVUS CENTER, INC.
Statements of Functional Expenses -
Modified Cash Basis
Years Ended June 30, 2012 and 2011

	2012				2011			
		Supporting Services				Supporting Services		
	Program Services	Management & General	Fundraising	Total	Program Services	Management & General	Fundraising	Total
Salaries and wages	$ 281,734	$ 31,500	$ 7,875	$ 321,109	$ 276,769	$ 31,500	$ 7,875	$ 316,144
Payroll taxes	24,273	2,077	519	26,869	23,315	1,924	472	25,711
Employee benefits	14,161	4,979	2,286	21,426	21,024	6,572	847	28,443
Advertising	200	625	472	1,297	-	1,735	404	2,139
Conferences	-	-	-	-	-	235	-	235
Contract medical services	91,392	-	-	91,392	78,547	-	-	78,547
Depreciation and amortization	11,633	12,207	331	24,171	15,517	16,614	344	32,475
Fundraising consultant	-	-	33,000	33,000	-	-	36,000	36,000
Insurance	14,560	3,836	-	18,396	16,474	4,983	-	21,457
Janitorial services	4,850	1,530	340	6,720	4,950	1,500	70	6,520
Licenses and permits	785	325	-	1,110	400	367	-	767
Loss on disposal of assets	-	287	-	287	200	-	-	200
Marketing	-	286	851	1,137	-	-	-	-
Meals and entertainment	99	2,204	-	2,303	238	590	71	899
Medical and dental supplies	7,717	-	-	7,717	5,884	-	-	5,884
Medical waste disposal	1,187	-	-	1,187	991	-	-	991
Membership dues	187	885	-	1,072	-	915	-	915
Miscellaneous	1,917	298	200	2,415	867	411	-	1,278
Office supplies	6,126	604	81	6,811	4,952	372	15	5,339
Patient assistance	20,402	-	-	20,402	28,162	-	-	28,162
Payroll processing fees	-	1,299	-	1,299	-	1,058	-	1,058
Pest control	270	-	-	270	-	-	-	-
Postage	1,138	238	1,048	2,424	639	284	788	1,711
Printing	1,750	1,786	234	3,770	1,357	266	1,762	3,385
Professional fees	22,143	7,300	-	29,443	4,206	11,245	250	15,701
Property taxes	-	-	-	-	-	775	-	775
Recognition appreciation	114	2,598	8	2,720	-	2,189	-	2,189
Rent expense	34,029	-	-	34,029	32,688	55	-	32,743
Repairs and maintenance	2,278	-	-	2,278	256	-	-	256
Special event	-	-	20,303	20,303	-	-	5,503	5,503
Staff development	563	302	-	865	240	186	-	426
Technical support	5,310	149	-	5,459	4,569	149	-	4,718
Telephone	6,311	2,448	-	8,759	5,389	1,996	-	7,385
Utilities	7,563	-	-	7,563	8,543	-	-	8,543
Total expenses	$ 562,692	$ 77,763	$ 67,548	$ 708,003	$ 536,177	$ 85,921	$ 54,401	$ 676,499

See notes to financial statements.

SALVUS CENTER, INC.
Statements of Cash Flows - Modified Cash Basis
Years Ended June 30, 2012 and 2011

	2012	2011
Cash flows from operating activities		
(Decrease) increase in net assets	$ (13,730)	$ 62,507
Adjustments to reconcile (decrease) increase in net assets to net cash (used) provided by operating activities:		
Depreciation and amortization	24,171	32,475
Loss on disposal of assets	287	200
Contributions of property and equipment	(12,026)	(633)
Decrease (increase) in property tax receivable	4,667	(4,667)
Increase in payroll withholding	1,045	218
Net cash provided by operating activities	4,414	90,100
Cash flows from investing activities		
Purchase of property and equipment	(38,482)	(3,012)
Net cash used by investing activities	(38,482)	(3,012)
Net (decrease) increase in cash	(34,068)	87,088
Cash, beginning of year	232,881	145,793
Cash, end of year	$ 198,813	$ 232,881
Supplemental disclosure of cash flow information		
Cash paid during the year for interest	$ -	$ 49
Supplemental disclosure of non-cash investing activities		
Contributions of property and equipment	$ 12,026	$ 633

See notes to financial statements.

SALVUS CENTER, INC.
Notes to Financial Statements
Years Ended June 30, 2012 and 2011

Note 1. Nature of Activities and Significant Accounting Policies

A. Organization and Nature of Activities

Inspired by the Biblical mandate to care for the sick and the needy, a diverse group of Sumner County's leading citizens came together in fall 2004 to found Salvus Clinic, a faith-based nonprofit organization dedicated to providing healthcare for the working uninsured in Sumner County, Tennessee. In February 2005, the charter was amended to change the name to the Salvus Center, Inc. (the "Center"). The Center is chartered and incorporated under the laws of Tennessee as a nonprofit corporation. The Center opened its first health care clinic in Gallatin, Tennessee in March 2006 for residents of the county who work but do not have health insurance. A second health care clinic was opened in July 2008 in Hendersonville, Tennessee. Patients are seen, treated and pay fees according to a sliding scale. Contributions received from foundations, faith communities, individuals and 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. Financial Statement Presentation

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

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

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

D. Estimates

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

E. Cash and Cash Equivalents

For purposes of the statement of cash flows, cash includes bank demand deposit accounts, money market accounts, and cash on hand. The Center had no cash equivalents for the years ended June 30, 2012 and 2011.

Note 1. Summary of Significant Accounting Policies - Continued

F. Fair Value Measurements

Assets and liabilities measured at fair value are recorded in accordance with FASB ASC 820-10, which clarifies that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, FASB ASC 820-10 establishes a three-tier value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

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

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

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

The Center's financial instruments consist of cash at June 30, 2012 and 2011. The recorded value of cash approximates fair value based on their short-term nature using Level 1 inputs.

G. Property and Equipment

The Center capitalizes property and equipment acquisitions in excess of $1,000 with an estimated useful life in excess of one year. Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Property and equipment are depreciated using the 200% declining balance method over their estimated useful lives, which range from 5 to 7 years. The building is depreciated using the straight line method over the estimated useful life of 40 years. Software is amortized using the straight-line method over their estimated useful lives of 3 years. Leasehold improvements are depreciated over the lease term of 39 months for the Hendersonville clinic.

H. Impairment of Long-Lived Assets

Management evaluates its long-lived assets for financial impairment whenever events or changes in circumstances indicate the carrying value of an asset may not be recoverable. An impairment loss is recognized when the estimated undiscounted future cash flows from the assets are less than the carrying value of the assets. Assets to be disposed of are reported at the lower of their carrying amount or fair value, less cost to sell. Management is of the opinion that the carrying amount of its long-lived assets does not exceed their estimated recoverable amount.

Note 1. Summary of Significant Accounting Policies - Continued

I. Advertising
The Center expenses advertising costs as they are incurred. Advertising expenses are $1,297 and $2,139 for the years ended June 30, 2012 and 2011, respectively.

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

K. Contributions
All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. If a restriction is fulfilled in the same time period in which the contribution is received, the organization reports the support as unrestricted. Otherwise, when a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of support, revenue, expenses and changes in net assets – modified cash basis as net assets released from restrictions.

L. Contributed Services
Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received. 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.

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

The Center's Forms 990, *Return of Organization Exempt from Income Tax*, for the years ended 2010, 2011 and 2012 are subject to examination by the IRS, generally three years after they were filed.

N. Reclassifications
Certain reclassifications have been made to the financial statements as of and for the year ended June 30, 2011 to conform to the 2012 presentation.

Note 2. Property and Equipment
Depreciation and amortization expense for the years ended June 30, 2012 and 2011 are $24,171 and $32,475, respectively. Donated property and equipment for the years ended

Note 2. Property and Equipment - Continued

June 30, 2012 and 2011 are $12,026 and $633, respectively. Construction in progress at June 30, 2012 in the amount of $38,984 was for the Gallatin office.

Note 3. Line of Credit

The Center has an agreement with a bank for a line of credit. The total amount of the line available to the Center is $150,000 with an interest rate of 4.5%. There were no draws on the line of credit for the years ended June 30, 2012 and 2011. The Deed of Trust on the property located at 556 Hartsville Pike, Gallatin, Tennessee is the collateral for the line of credit. The maturity date of the line of credit is February 25, 2013. However, the line of credit was converted to a note payable subsequent to June 30, 2012. See the subsequent event note for the terms of the new note payable.

Note 4. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following at June 30, 2012 and 2011:

	2012	2011
Restricted for computer and software	$ 3,329	$ 3,329

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, 2012 and 2011 are as follows:

	2012	2011
Public Support and Revenues		
Donated services	$ 3,879	$ 4,060
Donated property and equipment	12,026	633
Donated use of facilities	-	2,694
Totals	$ 15,905	$ 7,387
Expenses		
Rent expense	$ 200	$ 2,694
Printing	104	-
Professional fees	3,679	4,060
Special event	225	-
Total expenses	$ 3,879	$ 6,754
Assets		
Construction in progress	$ 5,000	$ -
Building and improvements	-	633
Medical and office equipment, furniture and fixtures	7,026	-
Total assets	$ 12,026	$ 633

Note 5. Donated Services and Assets - Continued

In addition, many individuals volunteer their time and perform a variety of tasks that assist the Center with specific programs and fundraising. No amounts have been reflected in the financial statements for these donated services since volunteers' time does not meet the criteria for recognition.

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. Operating Lease Commitment

The Center has an operating lease for its Hendersonville clinic with JBE, LLC. The lease was dated January 23, 2009 for a term of thirty nine months which ended on April 14, 2012. The Hendersonville clinic is located at 107 Imperial Boulevard, Suite #3, Hendersonville, Tennessee. The leased space consists of 2,020 rentable square feet. The Center had negotiated the lease for monthly payments of $2,694. There was no rent due for the first, fourteenth and twenty seventh months. A lease extension agreement was entered into on April 11, 2012 for a term of eighteen months. The lease requires monthly payments of $2,694 until November 30, 2013. The total rent expense paid during the years ended June 30, 2012 and 2011 is $32,328 and $29,634, respectively for the Hendersonville clinic. The fourteenth month of the lease dated January 23, 2009 was recorded in the accompanying financial statements as donated use of facilities and rent expense in the amounts of $0 and $2,694 for the years ended June 30, 2012 and 2011, respectively.

Future minimum lease payments are as follows:

Years Ended June 30,	Annual Lease Payments
2013	$ 32,328
2014	13,470
Total	$ 45,798

Note 8. Concentrations

The Center received approximately 43% and 60% of its total support and revenues from donors who contributed cash, in-kind property and professional services for the years ended June 30, 2012 and 2011, respectively. During the year ended June 30, 2012, there were three donors that contributed 22% of the cash and donated contributions. During the year ended June 30, 2011, there were four donors that contributed 68% of the cash and donated contributions.

Government grants and reimbursements accounted for 16% and 12% of the total support and revenues for the years ended June 30, 2012 and 2011, respectively.

Note 9. Subsequent Events

The construction in progress was completed subsequent to June 30, 2012. Payment was made on August 15, 2012 to the contractor in the amount of $87,168.

The Center entered into a cooperative agreement with Sumner County on September 28, 2012 to operate a dental clinic in Sumner County. Sumner County is providing the office and equipment to the Center at a cost of $1 per year. The Center is responsible for the operations and fiscal affairs of the dental clinic.

The line of credit with Sumner Bank and Trust was replaced with a note payable in the amount of $150,000 on September 4, 2012. Principal and interest at 4.5% are due monthly in the amount of $2,796 beginning on October 4, 2012. The term of the note payable is sixty months. The Deed of Trust on the property located at 556 Hartsville Pike, Gallatin, Tennessee is the collateral for the note payable. The balance on the note payable at November 29, 2012 is $145,531.

A new physician was hired subsequent to June 30, 2012. The cost of this new employee will be a significant increase in cash disbursements after June 30, 2012. Management and the Board are aggressively pursuing new funding and underwriting sources to offset the increase in cash disbursements. The hiring of the employee is also expected to bring in additional program revenues. Management projects that all cash needs will be met throughout the year ended June 30, 2013.

Subsequent events were evaluated through November 29, 2012, which is the date the financial statements were available to be issued.