

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

June 30, 2017 and 2016

(With Independent Auditor's Report Thereon)

RUTHERFORD COUNTY PRIMARY CARE CLINIC, INC.

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Independent Auditor's Report

The Governing Board
Rutherford County Primary Care Clinic, Inc.
d/b/a/ Primary Care and Hope Clinic

Report on the Financial Statements

We have audited the accompanying financial statements of Rutherford County Primary Care Clinic, Inc. (the Organization) which comprise the statement of financial position as of June 30, 2017 and 2016, and the related statements of activities, and cash flows 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 accounting principles generally accepted in the United States of America; this includes 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 audits. We conducted our audits 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.

Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 that 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 financial position of Rutherford County Primary Care Clinic, Inc. as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) 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 information 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 October 18, 2017 on our consideration of Rutherford County Primary Care Clinic, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* considering Rutherford County Primary Care Clinic, Inc.'s internal control over financial reporting and compliance.

A handwritten signature in dark ink, reading "Jerry Hone CPA". The signature is written in a cursive style with a horizontal line underneath the name.

Lebanon, TN
October 18, 2017

Rutherford County Primary Care Clinic, Inc.
Statement of Financial Position
June 30, 2017 and 2016

ASSETS

	<u>2017</u>	<u>2016</u>
<i>Current Assets</i>		
Cash	\$ 1,551,608	\$ 1,585,572
Accounts Receivable Net	177,055	169,427
Grants and Contracts Receivable	407,090	502,963
Inventory-Pharmacy	5,524	-
Prepaid Expenses	28,765	60,224
<i>Total Current Assets</i>	<u>2,170,042</u>	<u>2,318,186</u>
<i>Property and Equipment</i>		
Property and Equipment, at Cost,		
Net of Accumulated Depreciation	<u>5,860,159</u>	<u>5,124,745</u>
<i>Total Property and Equipment</i>	<u>5,860,159</u>	<u>5,124,745</u>
 Total Assets	 <u>\$ 8,030,201</u>	 <u>\$ 7,442,931</u>

LIABILITIES AND NET ASSETS

<i>Current Liabilities</i>		
Accounts Payable	\$ 38,887	\$ 51,134
Accrued Compensated Absences	209,155	162,468
Accrued Payroll Liabilities	240,160	190,813
<i>Total Current Liabilities</i>	<u>488,202</u>	<u>404,415</u>
 Total Liabilities	 <u>488,202</u>	 <u>404,415</u>
Net Assets - Unrestricted	<u>7,541,999</u>	<u>7,038,516</u>
Total Net Assets	<u>7,541,999</u>	<u>7,038,516</u>
 Total Liabilities and Net Assets	 <u>\$ 8,030,201</u>	 <u>\$ 7,442,931</u>

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

Rutherford County Primary Care Clinic, Inc.
Statement of Activities
For the Years Ended June 30, 2017 and 2016

Support and Revenues:

	<u>2017</u>	<u>2016</u>
Net Patient Revenue	\$ 2,387,418	\$ 1,923,105
Public Support - Federal Grants	1,505,025	1,317,130
Other Grants and Contracts	570,925	721,227
PPS and Safety Net Revenue	1,230,799	1,070,546
Contributions	2,711,735	4,102,146
Rent and Other Revenue	14,971	12,425
<i>Total Support and Revenues</i>	<u>8,420,873</u>	<u>9,146,579</u>

Expenses:

Salaries and Wages	3,694,742	2,957,111
Employee Benefits	777,875	618,248
Purchased Services and Professional Fees	433,385	301,954
Supplies	2,324,700	4,215,109
Rent	43,524	43,025
Depreciation and Amortization	244,714	202,331
Interest	9,747	6,863
Travel, Communication and Other	388,703	330,460
<i>Total Expenses</i>	<u>7,917,390</u>	<u>8,675,101</u>

Excess (Deficiency) of Support and Revenues Over Expenses from Operations	<u><u>\$ 503,483</u></u>	<u><u>\$ 471,478</u></u>
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The accompanying notes are an integral part of this financial statement.

Rutherford County Primary Care Clinic, Inc.

Statement of Changes in Net Assets
For the Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Unrestricted Net Assets		
Excess of revenues over expenses	\$ 503,483	\$ 471,478
Increase in unrestricted net assets	<u>503,483</u>	<u>471,478</u>
Change in Net Assets	503,483	471,478
Net Assets, Beginning of Year	7,038,516	6,567,038
Net Assets, End of Year	<u><u>\$ 7,541,999</u></u>	<u><u>\$ 7,038,516</u></u>

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

Rutherford County Primary Care Clinic, Inc.
Statement of Cash Flows
For the Years Ended June 30, 2017 and 2016

Operating Activities:

	<u>2017</u>	<u>2016</u>
Excess (Deficiency) of Support and Revenues Over Expenses from Operations	\$ 503,483	\$ 471,478
Items not requiring (providing Cash)		
Depreciation	244,715	202,331
Changes in		
Accounts Receivable, Net	(7,628)	(15,336)
Other Receivables	95,873	(101,950)
Inventory	(5,524)	-
Prepaid Items	31,459	(28,447)
Accounts Payable	(9,688)	11,304
Deferred Revenue	-	(308,116)
Other Current Liabilities	96,034	94,712
Net Cash Provided by Operating Activities:	<u>948,724</u>	<u>325,976</u>

Investing Activities:

Purchases of Property, Plant and Equipment	(982,688)	(644,603)
Cash Used in Investing Activities	<u>(982,688)</u>	<u>(644,603)</u>
Net Increase (Decrease) in Cash	<u>(33,964)</u>	<u>(318,627)</u>
Cash at Beginning of The Year	1,585,572	1,904,199
Cash at End of The Year	<u><u>\$ 1,551,608</u></u>	<u><u>\$ 1,585,572</u></u>

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

RUTHERFORD COUNTY PRIMARY CARE CLINIC, INC.

Notes to Financial Statements

June 30, 2017 and 2016

(1) Summary of Significant Accounting Policies

The financial statements of Rutherford County Primary Care Clinic, Inc. (the Organization) have been prepared on accrual basis. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

(a) Nature of The Business

Rutherford County Primary Care Clinic, Inc. is a not-for-profit corporation organized under the laws of the State of Tennessee doing business as Primary Care and Hope Clinic. The Organization provides outpatient health care services. Funding is obtained from various grants and contracts, and reimbursements from Medicare, Medicaid, private insurance, and payments from patients.

(b) Financial Statement Presentation

The Organization presents its financial statements in accordance with Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations* as promulgated by the Financial Accounting Standards Board. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, as required by SFAS No. 117, the Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. The financial statements include prior-year comparative information and certain modifications have been made to conform to the current year presentation.

(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, 2017 and 2016, cash equivalents consisted primarily of money market accounts. As of June 30, 2017, bank deposits in the amount of \$1,407,590 were insured by Federal Deposit Insurance and \$158,158 was uninsured.

(d) Accounts Receivable

Included in patient receivables are amounts due from Medicare and Medicaid agencies. These payments are generally less than established billing rates, the difference being charged against revenue as revenue adjustments at the time the fee for service is recorded. Amounts from these agencies are determined under cost reimbursement formulas and redetermination by the agencies. Accounts receivables from patient fees, other than the above, may be reduced using a sliding fee scale due to a patient's inability to pay. These adjustments are based on income level and number of family members applied to the Federal poverty guidelines.

(e) Allowance for Uncollectible Receivables

The provision for uncollectible receivables is not recorded as an expense, but is treated as a reduction of the related revenue in the statement of activities. Based on computations within industry standards applied to test the reserve for uncollectible patient accounts, the estimates appear reasonable.

RUTHERFORD COUNTY PRIMARY CARE CLINIC, INC.

Notes to Financial Statements

June 30, 2017 and 2016

(f) 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. Expenditures for maintenance and repairs are expenses when incurred. Expenditures for renewals or betterments are capitalized. The threshold for capitalization is \$1,000. 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.

(g) Recognition of Grant Income

Grant income is recognized over the grant period in relation to the expenditures incurred and services provided, as outlined in the grant documents. Cash received in excess of grant expenditures to date is recorded as deferred revenue, and an account receivable is recorded when allowable expenditures exceed cash received.

(h) Patient Service Revenue

Patient service revenue is recorded at amounts that the Organization anticipates collecting from Medicare, Medicaid, insurance, or individuals less a provision for uncollectible accounts. The rates charged individuals are determined by an income discount scale, which is based on the Federal poverty level guidelines.

(i) Contributions

In accordance with SFAS No. 116, *Accounting for Contributions Received and Contributions Made*, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities. Contributed property and equipment is recorded at fair value at the date of donation.

(j) 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.

Notes to Financial Statements

June 30, 2017 and 2016

(2) Fair Value of Financial Instruments

- A. Cash – The carrying amount reported is the reconciled bank account balances, which are considered to be fair values.
- B. Accounts Receivable – The carrying amount reported is the estimated net collectible amount, which is considered the fair value.
- C. Accounts Payable and Other Liabilities – The carrying amounts reported are the amounts equaled to the required payments. The reported amounts are considered the fair values.

(3) Accounts Receivable

Included in patient receivables are amounts due from Patients, Medicare, Medicaid, and private insurance companies. These payments are generally less than established billing rates, the difference being recorded as revenue adjustments.

Accounts receivable balances as of June 30, 2017 and 2016 are:

	<u>2017</u>	<u>2016</u>
Patients Fees	\$ 230,966	\$ 304,499
Less Allowance for Uncollectible Accounts	<u>(53,911)</u>	<u>(135,072)</u>
Accounts Receivable, Net	<u>\$ 177,055</u>	<u>\$ 169,427</u>

(4) Grants and Contracts Receivable

The Organization is funded through grants and contracts with various organizations. As of June 30, 2017 and 2016 the contracts receivable consisted of the following:

	<u>2017</u>	<u>2016</u>
Prospective Payment System	\$243,609	\$439,164
Federal Grant Receivable	111,428	-
Tennessee Safetynet Contract	43,220	51,495
Other Grants and Contracts	<u>8,833</u>	<u>12,304</u>
Grants and Contracts Receivable	<u>\$407,090</u>	<u>\$502,963</u>

RUTHERFORD COUNTY PRIMARY CARE CLINIC, INC.

Notes to Financial Statements

June 30, 2017 and 2016

(5) Property, Plant and Equipment

A summary of fixed assets at June 30, 2017 and 2016 is as follows:

	<u>2017</u>	<u>2016</u>
Building and Improvements	\$5,147,713	\$5,147,713
Land	1,702,300	762,300
Furniture and Equipment	639,916	619,563
Electronic Medical Records	<u>136,335</u>	<u>136,335</u>
Total	7,626,264	6,665,911
Less Accumulated Depreciation	<u>(1,766,105)</u>	<u>(1,541,166)</u>
Property, Plant and Equipment, Net	<u>\$5,860,159</u>	<u>\$5,124,745</u>

Property and equipment is depreciable on a straight line basis over the estimated useful life. The depreciation for the fiscal years ended June 30, 2017 and 2016 was \$244,714 and \$202,331.

(6) Functional Expenses

The Organization provides health care services primarily to residents within its geographic area. Expenses related to providing these services for the year ended June 30, 2017 and 2016 is as follows:

	<u>2017</u>	<u>2016</u>
Health care services	\$5,625,214	\$6,822,103
General and administrative	<u>2,292,176</u>	<u>1,852,998</u>
	<u>\$7,917,390</u>	<u>\$8,675,101</u>

(7) Net Patient Revenue

A summary of net patient revenue at June 30, 2017 and 2016 is as follows:

	<u>2017</u>	<u>2016</u>
Patient Fees	\$5,850,406	\$4,878,785
Less Sliding Fee and Other Adjustments	<u>(3,462,988)</u>	<u>(2,955,680)</u>
Net Revenue	<u>\$2,387,418</u>	<u>\$1,923,105</u>

RUTHERFORD COUNTY PRIMARY CARE CLINIC, INC.

Notes to Financial Statements

June 30, 2017 and 2016

(8) Grant Support

The Organization received federal grants in the amount of \$1,505,025 and \$1,317,130 of which all was obligated for the years ended June 30, 2017 and 2016, respectively. Under the terms of this grant the Organization is required to comply with certain federal guidelines and the grantor retains a residual interest in assets acquired with grant funds.

(9) Other Grant and Contracts Support

The Organization received funding from various sources for the fiscal year ended June 30, 2017 and 2016. A summary of non-federal grants and contracts are as follows:

	<u>2017</u>	<u>2016</u>
State of Tennessee- Meaningful Use	\$ 63,750	\$ 59,500
HCA Foundation	50,000	50,000
Rutherford County Grant	52,500	52,500
United Way Grant	101,369	67,903
Baptist Healing Trust	70,000	80,000
Walgreens Pharmacy Revenue	104,069	63,073
Komen Foundation	4,878	9,834
Patient Center Medical Home	107,540	-
Christy Houston Foundation	-	308,116
City of Murfreesboro	10,000	10,000
Other Sources	<u>6,819</u>	<u>20,301</u>
Total	<u>\$570,925</u>	<u>\$721,227</u>

(10) Contributions

The Organization received contributions of \$2,711,735 and \$4,102,146 for the years ended June 30, 2017 and 2016. A summary of the contributions are as follows:

The Organization received donated pharmaceuticals to be disbursed to indigent patients. The fair market value of these donations is the actual amounts reported by the donor. The value of these donations for the years ended June 30, 2017 and 2016 was \$2,084,677 and \$4,011,320, respectively.

The Organization also received cash donations for the years ended June 30, 2017 and 2016 of \$36,667 and \$12,423 from individuals and other organizations.

The Organization also received donated labor and services which are valued at the prevailing wage rate for similar services provided in the community. The fair market value for these donated services for the years ended June 30, 2017 and 2016 was \$100,391 and \$78,403, respectively.

In addition the Organization received donated land from an unrelated party. The fair market value for this donated land for the year ended June 30, 2017 was \$490,000.

RUTHERFORD COUNTY PRIMARY CARE CLINIC, INC.

Notes to Financial Statements

June 30, 2017 and 2016

(11) Operating Lease

The Organization has two leases with Thompson Properties of Middle Tennessee for clinic space. These leases are on a 12 and 36 month term with payments totaling \$3,600 per month.

The balance of lease obligations due over the next three years is as follows:

<u>Year Ending</u>	<u>Lease Obligations</u>
June 30, 2018	\$ 41,700
June 30, 2019	27,900
June 30, 2020	-
Thereafter	<u>-</u>
Total	<u>\$ 69,600</u>

(12) 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.

(13) Retirement Plan

The Organization sponsors a 401k 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 expenses for the years ended June 30, 2017 and 2016 were \$84,064 and \$72,413, respectively.

(14) Significant Source of Revenue

Approximately 18% of revenue was attributable to the U.S. Department of Health and Human Services grant award for the audit period.

(15) Charity Care

The Organization provides medical services to patients who qualify under federal guidelines and other corporate policies of the Organization at fees less than established rates. The amount of charity care is reduced from the amount of fees for services presented in the statement of activities. The charity amount calculation is based on the Organization’s standard billing rates for services provided. These fees approximate the total cost of providing charity care. The amount of charity care for the fiscal year ended 2017 and 2016 was \$1,158,351 and \$1,081,493 respectively.

RUTHERFORD COUNTY PRIMARY CARE CLINIC, INC.

Notes to Financial Statements

June 30, 2017 and 2016

(16) 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.”

(17) 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.

SUPPLEMENTAL SCHEDULES

RUTHERFORD COUNTY PRIMARY CARE CLINIC, INC.

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2017

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 Cluster				
Affordable Care Act-Grants for Expanded Service Under Health Center Program <i>Grant No. H80CS 24156</i>	93.527	N/A	N/A	<u>\$1,488,801</u>
Total Direct Grants				<u>\$1,488,801</u>
<u>United States Department of Housing and Urban Development</u>				
Pass Through Grant City of Murfreesboro Community Development Block Grant	14.218	N/A	N/A	<u>\$16,224</u>
Total Federal Grants				<u>\$1,505,025</u>

Note to Schedule of Expenditures of Federal Awards

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. under programs of the federal government for the year ended June 30, 2017. 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., 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..

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. Rutherford County Primary Care Clinic, Inc. 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.

RUTHERFORD COUNTY PRIMARY CARE CLINIC, INC.

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2017

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 ____no
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 ____no
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

93.527

Health Center 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.

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2017

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



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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

Independent Auditor's Report

The Governing Board
Rutherford County Primary Care Clinic, Inc.
d/b/a/ Primary Care and Hope Clinic

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. which comprise the statement of financial position as of June 30, 2017, 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 October 18, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Rutherford County Primary Care Clinic, Inc. internal control over financial reporting (internal control) to determine the 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 may exist that have not been identified.

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 determination of financial statement amounts. 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*.**

We noted certain matters that we reported to management of Rutherford County Primary Care Clinic, Inc. in a separate letter dated October 18, 2017.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in dark ink, appearing to read "Jerry Hume CPA". The signature is written in a cursive, flowing style.

Lebanon, TN
October 18, 2017



TERRY L. HORNE, CPA

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Report on Compliance for Each Major Federal Program; Report on Internal Control
Over Compliance And Report Required by the Uniform Guidance

Independent Auditor's Report

The Governing Board
Rutherford County Primary Care Clinic, Inc.
d/b/a/ Primary Care and Hope Clinic

Report on Compliance for Each Major Federal Program

We have audited Rutherford County Primary Care Clinic, Inc.'s compliance with the types of compliance requirements described 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, 2017. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Rutherford County Primary Care Clinic, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. 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 Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Rutherford County Primary Care Clinic, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Rutherford County Primary Care Clinic, Inc.'s compliance.

Opinion on Each Major Federal Program

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, 2017.


Report on Internal Control Over Compliance

Management of Rutherford County Primary Care Clinic, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Rutherford County Primary Care Clinic, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Rutherford County Primary Care Clinic, Inc.'s 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 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. **We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.**

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



Lebanon, TN
October 18, 2017

RUTHERFORD COUNTY PRIMARY CARE CLINIC, INC.

Summary Schedule of Prior Year Audit Findings

June 30, 2017

There were no findings in the prior year audit. However, there were certain matters involving internal controls that were reported to the management of Rutherford County Primary Care Clinic, Inc. in a separate letter. These matters were reviewed and it was determined that the necessary corrective action had been taken to improve these related controls.