

JEFFERSON RURAL CLINIC, INC.

FINANCIAL STATEMENTS

Year Ended June 30, 2020

JEFFERSON RURAL CLINIC, INC.

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Jefferson Rural Clinic, Inc.  
Jefferson City, Tennessee

We have audited the accompanying financial statements of Jefferson Rural Clinic, Inc. (a non-profit organization), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses, and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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.

To the Board of Directors  
Jefferson Rural Clinic, Inc.  
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**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Jefferson Rural Clinic, Inc. as of June 30, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Purkey, Carter, Compton, Swann & Carter, PLLC*

Morristown, Tennessee  
October 1, 2020

JEFFERSON RURAL CLINIC, INC.  
STATEMENT OF FINANCIAL POSITION  
June 30, 2020

ASSETS	
Cash	\$ 92,940
Unconditional promises to give	137,583
Grants receivable	12,500
Investments	614,510
Property and equipment, net	<u>538,846</u>
TOTAL ASSETS	<u>\$ 1,396,379</u>
LIABILITIES AND NET ASSETS	
LIABILITIES	
Accounts payable	\$ 1,075
Accrued payroll and related taxes	<u>387</u>
TOTAL LIABILITIES	1,462
NET ASSETS	
Net assets without donor restrictions:	
Undesignated	1,257,334
Net assets with donor restrictions	<u>137,583</u>
TOTAL NET ASSETS	<u>1,394,917</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,396,379</u>

See accompanying notes to financial statements.

JEFFERSON RURAL CLINIC, INC.  
STATEMENT OF ACTIVITIES  
Year ended June 30, 2020

REVENUE, GAINS AND OTHER SUPPORT

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Contributions			
Donations	\$ 52,762	\$ 12,121	\$ 64,883
Patient donations	11,168	-	11,168
Foundations and grants	87,086	-	87,086
Noncash contributions	186,416	-	186,416
Investment income	14,437	-	14,437
Gain on investments	17,321	-	17,321
Loss on sale of property and equipment	(47,874)	-	(47,874)
Net assets released from restrictions			
Restriction satisfied by payment	<u>85,352</u>	<u>(85,352)</u>	<u>-</u>
 TOTAL REVENUE, GAINS AND OTHER SUPPORT	 406,668	 (73,231)	 333,437
 EXPENSES			
Program services			
Dental & medical services	202,717	-	202,717
Supporting services			
Management & general	68,337	-	68,337
Fundraising	<u>5,711</u>	<u>-</u>	<u>5,711</u>
 TOTAL EXPENSES	 <u>276,765</u>	 <u>-</u>	 <u>276,765</u>
 CHANGE IN NET ASSETS	 129,903	 (73,231)	 56,672
 NET ASSETS AT BEGINNING OF YEAR	 <u>1,127,431</u>	 <u>210,814</u>	 <u>1,338,245</u>
 NET ASSETS AT END OF YEAR	 <u>\$ 1,257,334</u>	 <u>\$ 137,583</u>	 <u>\$ 1,394,917</u>

See accompanying notes to financial statements.

JEFFERSON RURAL CLINIC, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
Year ended June 30, 2020

	<u>Program Services</u>	<u>Supporting Services</u>		
	<u>Dental and Medical Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 9,328	\$ -	\$ -	\$ 9,328
Professional services	134,120	49,350	4,900	188,370
Payroll taxes	714	-	-	714
	<u>144,162</u>	<u>49,350</u>	<u>4,900</u>	<u>198,412</u>
Total salaries and related expenses				
Utilities	3,877	-	-	3,877
Patient services	13,804	-	-	13,804
Repairs & maintenance	4,217	-	-	4,217
Telephone	1,680	-	-	1,680
Office expense	1,959	1,959	-	3,918
Professional fees	-	9,775	-	9,775
Insurance	3,668	-	-	3,668
Supplies	391	-	811	1,202
Depreciation	21,386	-	-	21,386
Dental equipment	7,573	-	-	7,573
Bad debt expense	-	7,253	-	7,253
	<u>-</u>	<u>7,253</u>	<u>-</u>	<u>7,253</u>
TOTAL EXPENSES	<u>\$ 202,717</u>	<u>\$ 68,337</u>	<u>\$ 5,711</u>	<u>\$ 276,765</u>

See accompanying notes to financial statements.

JEFFERSON RURAL CLINIC, INC.  
STATEMENT OF CASH FLOWS  
Year ended June 30, 2020

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 56,672
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Noncash contribution - stock	(27,769)
Depreciation	21,386
Bad debts	7,253
Gain on investment	(17,321)
Loss on sale of property and equipment	47,874
(Increase) decrease in operating assets:	
Grants receivable	(2,500)
Unconditional promises to give	65,978
Increase (decrease) in operating liabilities:	
Accounts payable	128
Accrued payroll taxes	13
Deferred revenue	<u>(15,766)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	135,948
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of equipment	(19,049)
Proceeds from sale of property and equipment	79,500
Purchase of investments	(817,375)
Reinvestment of investment dividends	(8,942)
Sale proceeds from investments	<u>658,236</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(107,630)</u>
NET INCREASE IN CASH	28,318
CASH AT BEGINNING OF YEAR	<u>64,622</u>
CASH AT END OF YEAR	<u>\$ 92,940</u>
SUPPLEMENTAL DISCLOSURES	
<u>Noncash investing activities:</u>	
Contributed fair market value of stock	\$ 27,769

See accompanying notes to financial statements.

## NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Nature of Activities

Jefferson Rural Clinic, Inc. was organized as a nonprofit corporation under the laws of the State of Tennessee in 2004. The Organization provides low-cost medical and dental services to uninsured indigent adults in Jefferson and Grainger Counties.

### Basis of Accounting

The financial statements of Jefferson Rural Clinic, Inc. have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

### Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board, Accounting Standards Codification (ASC) Topic 958 *Not-for-Profit Entities*. Under ASC Topic 958, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions.

### Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

### Contributions

The Organization accounts for contributions in accordance with the recommendations of the Financial Accounting Standards Board in ASC Topic 958. In accordance with ASC Topic 958, contributions received are recorded, depending on the existence or nature of any donor restrictions, as contributions with donor restrictions or contributions without donor restrictions.

Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

### Concentration of Credit Risk

The Organization's concentration of credit risk consists principally of promises to give. Concentration of credit risk with respect to promises to give are dependent on factors affecting the economy in which contributors live and work. Collateral is not required on these promises to give.

JEFFERSON RURAL CLINIC, INC.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2020

Promises to Give

Unconditional promises to give are recognized as revenues in the period the promise is received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Promises to give are recorded at net realizable value if expected to be collected in one year and at fair value if expected to be collected in more than one year. Conditional promises to give are recognized when conditions on which they depend are substantially met.

Donated Assets

Donated marketable securities and other noncash donations are recorded as contributions at their estimated fair values at the date of donation.

Property and Equipment

Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Expenditures for additions are capitalized, while those for maintenance and repairs are charged to expenditures as incurred. Depreciation is computed on a straight-line basis over the estimated useful lives of the related assets and is reflected as an expense in the Statement of Functional Expenses. The capitalization threshold for property and equipment is \$10,000 per unit.

Functional Expenses

The costs of providing program and supporting activities have been summarized on a functional basis in the Statement of Functional Expenses. Accordingly, certain costs have been allocated between Program Services and Supporting Services based on an analysis of those costs identifiable with a specific function or based on an analysis of personnel time and space utilized for the related service.

Income Tax Status

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization is not classified as a private foundation.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. The Organization had no cash equivalents at June 30, 2020.

Investments

In accordance with ASC Topic 958, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the Statement of Financial Position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in net assets without donor restrictions if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

Donated Services

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those

JEFFERSON RURAL CLINIC, INC.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2020

skills, and would otherwise be purchased by the Organization. Contribution revenue from services is measured based on the estimated fair value of those services. These services are included on the Statement of Activities in noncash contributions.

Advertising

The Organization expenses the cost of advertising as it is incurred. There was no advertising expense for the year ended June 30, 2020.

Property Taxes

The Organization has been exempted from payment of city and county property taxes by the Tennessee State Board of Equalization.

Subsequent Events

The Organization evaluated subsequent events through the date of the auditor's report, the date the financial statements were available to be issued.

NOTE B - UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give of \$137,583 at June 30, 2020, consists of amounts due from various donors due over multiple years. Differences between amounts promised and collected have historically been insignificant. Accordingly, no provision is made for uncollectible amounts. Unconditional promises to give due in more than one year have historically been reflected at their present value of estimated future cash flows using an applicable discount rate; however, due to the current economic environment and the subsequent monetary policy by the Federal Reserve, interest rates are at historic lows and the calculation for a discount is immaterial to these financial statements.

Amounts due in:	
Less than one year	\$ 50,243
One to five years	<u>87,340</u>
	<u>\$ 137,583</u>

NOTE C - RECEIVABLES

Grants receivable of \$12,500 at June 30, 2020, consists of amounts due from Delta Dental - Smile 180 Foundation. Differences between amounts allocated and collected from grants receivable have historically been insignificant. Accordingly, no provision is made for uncollectible amounts.

NOTE D - FUNDING

Jefferson Rural Clinic, Inc. receives a substantial amount of support from various contributors for operations. A major reduction of funds by contributors, should this occur, may have a significant effect on future operations.

JEFFERSON RURAL CLINIC, INC.  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2020

NOTE E - INVESTMENTS

Investments at June 30, 2020, consist of the following:

	Fair Value	Investment Cost Basis	Unrealized Appreciation (Depreciation)
Mutual Funds	\$614,510	\$602,471	\$12,039

Fair values for the above investments are determined by reference to quoted prices in active markets for identical assets (Level 1 within the fair value measurement hierarchy) and reported on a recurring basis. No restrictions or designations exist on these funds as of June 30, 2020.

Investment income from the mutual funds for the year ending June 30, 2020 was \$14,435. An additional \$2 of interest income from bank accounts is included on the Statement of Activities under investment income. During the audit period, the Organization also recognized \$12,039 of unrealized gains and \$5,282 of realized gains.

NOTE F - PROPERTY AND EQUIPMENT

Land, buildings, and equipment are stated at cost or estimated fair market value if donated and on June 30, 2020, consisted of the following:

Land	\$ 86,000
Building	411,237
Furnishings and equipment	<u>84,233</u>
	581,470
Less accumulated depreciation	<u>(42,624)</u>
Net property and equipment	<u>\$ 538,846</u>

Depreciation expense for the year ended June 30, 2020, was \$21,386.

NOTE G - SALE OF PROPERTY AND EQUIPMENT

The Organization sold the old facility at 126 West Old Andrew Johnson Highway in Jefferson City, Tennessee on October 28, 2019 that was previously classified as an asset available for sale. The contracted sales price for the property was \$72,500 resulting in a loss on the sale of \$54,874. The organization also reported \$7,000 in gains related to equipment sold during the period for a cumulative net loss of \$47,874 on the Statement of Activities.

NOTE H - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions of \$137,583 at June 30, 2020 are restricted due to time and will be released in future years as the donors contribute funds to the Organization based on their promised funding period.

JEFFERSON RURAL CLINIC, INC.  
NOTES TO FINANCIAL STATEMENTS  
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NOTE I - NONCASH CONTRIBUTIONS

Numerous medical and dental professionals donated significant amounts of time to the Organization's program services. The fair value of these services, \$52,600, has been included in noncash contributions in the financial statements and the corresponding program expenses. An additional \$122,500 of noncash contributions related to the salary of the Executive Director and an IT professional has also been included in program expense in the financial statements.

During the year, the Organization received marketable securities of \$27,769, the fair value at the time of donation. These securities were subsequently sold by the Organization and \$16,453 was applied against a prior year unconditional pledge.

For the year ended June 30, 2020, the Organization's total noncash contributions were \$186,416.

NOTE J - LIQUIDITY

Jefferson Rural Clinic, Inc. has \$719,950 of financial assets, consisting of cash, grants receivable and investments, available within one year of the Statement of Financial Position date to meet cash needs for general expenditures. None of these financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditures within one year of the Statement of Financial Position date.

NOTE K - IMPLEMENTATION OF NEW ACCOUNTING STANDARD

In November 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. As of July 1, 2019, the Organization adopted ASU 2016-18, which requires that restricted cash and cash equivalents be included in beginning and ending cash in the statement of cash flows. The adoption of ASU 2016-18 became effective for years beginning after December 15, 2018.