Matthew Walker Comprehensive Health Center, Inc.

Independent Auditor's Report and Financial Statements

January 31, 2019

BKD LLP
CPAs & Advisors

Matthew Walker Comprehensive Health Center, Inc.

January 31, 2019

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Matthew Walker Comprehensive Health Center, Inc.

Rosters of Management Officials and Board Members

January 31, 2019

Management Officials

Katina R. Beard, Chief Executive Officer

Robin Dean, Director of Human Resources

Tera Hambrick, General Counsel & Director of Regulatory Affairs

Tammie Johnson, Chief Financial Officer

Angela Ross, Dental Director

Ida Michele Williams, Chief Medical Officer

Board Members

Antoinne Able, Chair

Valissa Thompson, Chair Elect

Andrae Crismon, Vice Chair

Theodore Jones III, Treasurer

Michaela Poizner, Secretary

Jerron Barnes

Nile Harris

Kathy Martin

Cornell Randle

Jeff Teague

Jennifer Wade

Sandra Long Weaver

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Independent Auditor's Report

The Board of Directors
Matthew Walker Comprehensive Health Center, Inc.
Nashville, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of the Matthew Walker Comprehensive Health Center, Inc., which comprise the balance sheet as of January 31, 2019, and the related statements of operations and changes in net assets, 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 and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United Sates. 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 the Matthew Walker Comprehensive Health Center, Inc. as of January 31, 2019, and the results of its operations and changes in net assets and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

The 2018 financial statements, before they were restated for the matter discussed in Note 13, were audited by other auditors, and their report thereon, dated October 11, 2018, expressed an unmodified opinion. Our opinion is not modified with respect to this matter.

Other Matters

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 and state financial assistance required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State of Tennessee Audit Manual, as listed in the table of contents, 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 Information

The rosters of management officials and board members have not been subjected to the auditing procedures applied by us in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 23, 2019, on our consideration of the Matthew Walker Comprehensive Health Center, 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 the Matthew Walker Comprehensive Health Center, 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 the Matthew Walker Comprehensive Health Center, Inc.'s internal control over financial reporting and compliance.

BKD, LLP

Louisville, Kentucky
September 23, 2019

Matthew Walker Comprehensive Health Center, Inc.
Balance Sheet
January 31, 2019

Assets

Current Assets	
Cash and cash equivalents	$ 1,575,835
Patient accounts receivable, net of allowance 2019 – $947,245	591,582
Other current receivables	150,133
Inventories	41,005
Prepaid expenses	81,094
Total current assets	2,439,649
Property, Plant and Equipment, at Cost	
Land and improvements	506,269
Buildings and improvements	6,789,853
Furniture, equipment and vehicles	5,503,739
	12,799,861
Less accumulated depreciation and amortization	(6,090,612)
	6,709,249
Other Assets	
Interest rate swap agreement	122,050
Total assets	$ 9,270,948

Liabilities and Net Assets

Current Liabilities	
Accounts payable	$ 95,169
Current maturities of long-term debt	237,875
Accrued compensation and related payables	542,453
Accrued expenses	48,824
Deferred revenue	135,515
Total current liabilities	1,059,836
Long-Term Debt, Net	3,383,584
Total liabilities	4,443,420
Net Assets Without Donor Restrictions	4,827,528
Total liabilities and net assets	$ 9,270,948

Matthew Walker Comprehensive Health Center, Inc.
Statement of Operations and Changes in Net Assets
Year Ended January 31, 2019

Unrestricted Revenues, Gains and Other Support	
Patient service revenue, net of contractual discounts and allowances	$ 5,472,270
Provision for uncollectible accounts	(1,170,858)
Net patient service revenue less provision for uncollectible accounts	4,301,412
Government grants and other contracts	
Federal	5,847,742
Other grant revenue	2,858,569
Contribution revenue	127,962
Other revenue	86,549
Total unrestricted revenues, gains and other support	13,222,234
Expenses and Losses	
Salaries and wages	5,924,243
Employee benefits	988,068
Purchased services and professional fees	642,586
Supplies	641,819
Occupancy	1,161,999
Depreciation	301,521
Interest	151,166
Other expenses	902,392
Total expenses and losses	10,713,794
Operating Income	2,508,440
Other Income (Expense)	
Change in fair value of interest rate swap agreement	(66,259)
Total other income (expense)	(66,259)
Excess of Revenues over Expenses and Change in Net Assets	2,442,181
Net Assets, Beginning of Year, as Previously Reported	2,916,064
Restatement of Beginning Balances (Note 13)	(530,717)
Net Assets, Beginning of Year, as Restated	2,385,347
Net Assets, End of Year	$ 4,827,528

Matthew Walker Comprehensive Health Center, Inc.
Statement of Functional Expenses
Year Ended January 31, 2019

	Health Care Services			Support Services	
	Medical	**Dental**	**Pharmacy**	**General and Administrative**	**Total**
Salaries and wages	$ 3,669,033	$ 771,232	$ 264,200	$ 1,219,778	$ 5,924,243
Employee benefits	653,066	134,627	44,711	155,664	988,068
Purchased services and professional fees	520,320	64,954	403	56,909	642,586
Supplies	236,029	149,162	216,585	40,043	641,819
Occupancy	734,653	115,784	4,779	306,783	1,161,999
Depreciation	173,932	71,869	1,890	53,830	301,521
Interest	62,447	21,270	5,045	62,404	151,166
Other expenses	345,775	81,765	13,550	461,302	902,392
	$ 6,395,255	$ 1,410,663	$ 551,163	$ 2,356,713	$ 10,713,794

Matthew Walker Comprehensive Health Center, Inc.

Statement of Cash Flows

Year Ended January 31, 2019

Operating Activities	
Change in net assets	$ 2,442,181
Items not requiring (providing) operating cash flows	
Provision for uncollectible accounts	1,170,858
Depreciation	301,521
Amortization of debt issuance costs	8,295
Change in fair value of interest rate swap agreement	66,259
Changes in	
Patient accounts receivable, net	(1,338,923)
Prepaid expenses and other current receivables	(125,008)
Accounts payable	15,887
Inventories	(22,632)
Accrued compensation and related payables	(168,165)
Deferred revenue	(7,798)
Net cash provided by operating activities	2,342,475
Investing Activities	
Purchase of property and equipment	(2,013,089)
Net cash used in investing activities	(2,013,089)
Financing Activities	
Principal payments on long-term debt	(691,547)
Net cash used in financing activities	(691,547)
Decrease in Cash and Cash Equivalents	(362,161)
Cash and Cash Equivalents, Beginning of Year	1,937,996
Cash and Cash Equivalents, End of Year	$ 1,575,835
Supplemental Cash Flows Information	
Interest paid	$ 275,230
Capital lease obligation incurred for property and equipment	$ 112,026

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

The Matthew Walker Comprehensive Health Center, Inc. (Center) is a federally qualified health center which provides health care services to a largely medically underserved population in Nashville, Smyrna, and Clarksville, Tennessee. The Center primarily earns revenues by providing physician, dental and related health care services to low-income residents of the surrounding areas.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Center considers all liquid investments with original maturities of three months or less to be cash equivalents.

At January 31, 2019, the Center's cash accounts exceeded federally insured limits by approximately $986,000.

Patient Accounts Receivable

Accounts receivable are reduced by an allowance for doubtful accounts. In evaluating the collectibility of accounts receivable, the Center analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for uncollectible accounts. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts.

For receivables associated with services provided to patients who have third-party coverage, the Center analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for uncollectible accounts, if necessary, *e.g.,* for expected uncollectible deductibles and copayments on accounts for which the third-party payor has not yet paid, or for payors who are known to be having financial difficulties that make the realization of amounts due unlikely.

For receivables associated with self-pay patients (which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), the Center records a significant provision for uncollectible accounts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates (or the discounted rates if negotiated or provided by the sliding fee or other policy) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts.

The Center's allowance for doubtful accounts for self-pay patients increased from 93% of self-pay accounts receivable at January 31, 2018, to 97% of self-pay accounts receivable at January 31, 2019.

Supplies

Supply inventories consist of certain medical and dental supplies and pharmaceuticals. Inventories are stated at the lower of cost or net realizable value. Costs of inventories are determined using the first-in, first-out (FIFO) method.

Property and Equipment

Property and equipment acquisitions are recorded at cost and are depreciated using the straight-line method over the estimated useful life of each asset. Assets under capital lease obligations and leasehold improvements are depreciated over the shorter of the lease term or their respective estimated useful lives.

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

Furniture, equipment and vehicles	3–10 years
Building improvements	5–20 years
Buildings	50 years

Certain property and equipment have been purchased with grant funds received from various federal agencies. Such items may be reclaimed by the federal government if not used to further the grant's objectives.

Donations of property and equipment are reported at fair value as an increase in net assets without donor restrictions unless use of the assets is restricted by the donor.

Monetary gifts that must be used to acquire property and equipment are reported as restricted support. The expiration of such restrictions is reported as an increase in net assets without donor restrictions when the donated asset is placed in service.

Long-Lived Asset Impairment

The Center evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

No asset impairment was recognized during the year ended January 31, 2019.

Debt Issuance Costs

Debt issuance costs represent costs incurred in connection with the issuance of long-term debt. Such costs are being amortized over the term of the respective debt using the straight-line method.

Deferred Revenue

Deferred revenue consists of grant contributions received but designated for use in specific activities of which have not occurred or for a specific grant period and are recorded as expenditures are incurred or ratably over the grant period, respectively.

Net Patient Service Revenue

The Center has agreements with third-party payors that provide for payments to the Center at amounts different from its established rates. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered and includes estimated retroactive revenue adjustments. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered and such estimated amounts are revised in future periods as adjustments become known.

Government Grants and Contracts

Revenue from government grants and contracts designated for use in specific activities is recognized in the period when expenditures have been incurred in compliance with the grantor's restrictions. Grants and contracts awarded for the acquisition of long-lived assets are reported as unrestricted nonoperating revenue during the fiscal year in which the assets are acquired. Cash received in excess of revenue recognized is recorded as refundable advances. These grants and contracts require the Center to provide certain healthcare services during specified periods. If such services are not provided, the governmental entities are not obligated to disburse the funds allotted under the grants and contracts.

Contributions

Gifts of cash and other assets received without donor stipulations are reported as revenue and net assets without donor restrictions. Gifts received with a donor stipulation that limits their use are reported as revenue and net assets with donor restrictions. When a donor-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. Gifts having donor stipulations which are satisfied in the period the gift is received are reported as revenue and net assets without donor restrictions. Gifts and investment income that are originally restricted by the donor and for which the restriction is met in the same time period are recorded as revenue with donor restrictions and then released from restriction.

Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Gifts of land, buildings, equipment and other long-lived assets are reported as revenue and net assets without donor restrictions unless explicit donor stipulations specify how such assets must be used, in which case the gifts are reported as revenue and net assets with donor restrictions. Absent explicit donor stipulations for the time long-lived assets must be held, expirations of restrictions resulting in reclassification of net assets with donor restrictions as net assets without donor restrictions are reported when the long-lived assets are placed in service.

Unconditional gifts expected to be collected within one year are reported at their net realizable value. Unconditional gifts expected to be collected in future years are initially reported at fair value determined using the discounted present value of estimated future cash flows technique. The resulting discount is amortized using the level-yield method and is reported as contribution revenue.

Conditional gifts depend on the occurrence of a specified future and uncertain event to bind the potential donor and are recognized as assets and revenue when the conditions are substantially met and the gift becomes unconditional. Donor-restricted conditional gifts in which the condition and restriction is met in the period the gift is received are reported as revenue and net assets without donor restrictions. Donor-restricted conditional gifts in which the condition and restriction is met in the period the gift is received are reported as revenue with donor restrictions and then released from restriction.

Functional Expenses

The Center's expenses have been summarized on a functional basis in the statement of functional expenses. Certain costs have been allocated among program and supporting expenses based on actual direct expenditures and other methods.

Risk Management

The Center is exposed to various risks of loss from torts, theft of, damage to and destruction of assets, business interruption, errors and omissions, employee injuries and illnesses, natural disasters and employee health, dental and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters other than medical malpractice claims. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

The U.S. Department of Health and Human Services (HHS) has deemed the Center and its practicing physicians covered 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. FTCA coverage is comparable to an occurrence policy without a monetary cap.

Income Taxes

The Center has been recognized as exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law. However, the Center is subject to federal income tax on any unrelated business taxable income.

The Center files tax returns in the U.S. federal jurisdiction.

Transfers Between Fair Value Hierarchy Levels

Transfers in and out of Level 1 (quoted market prices), Level 2 (other significant observable inputs) and Level 3 (significant unobservable inputs) are recognized on the actual transfer date.

Note 2: Grant Revenue

The Center is the recipient of a Consolidated Health Centers (CHC) grant from the U.S. Department of Health and Human Services. The general purpose of the grants is to provide expanded health care service delivery for the medically underserved population in and around Nashville, Clarksville and Smyrna, Tennessee. Terms of the grant generally provide for funding of the Center's operations based on an approved budget. Grant revenue is recognized as qualifying expenditures are incurred over the grant period. During the year ended January 31, 2019, the Center recognized $5,773,487, in CHC grant revenue. The Center has been authorized for funding in the amount of $6,187,898 for the grant year ending January 31, 2020.

In addition to the CHC grant, the Center receives additional financial support from other federal, state and private sources. Generally, such support requires compliance with terms and conditions specified in grant agreements and must be renewed on an annual basis. During 2019, the Center was awarded $1,870,073 from a private grant to renovate the Center's Nashville building to expand its dental services.

Note 3: Net Patient Service Revenue

The Center recognizes patient service revenue associated with services provided to patients who have third-party payor coverage on the basis of contractual rates for the services rendered. For uninsured patients that do not qualify for the sliding fee program, the Center recognizes revenue on the basis of its standard rates for services provided. On the basis of historical experience, a significant portion of the Center's uninsured patients will be unable or unwilling to pay for the services provided. Thus, the Center records a significant provision for uncollectible accounts related to uninsured patients in the period the services are provided. This provision for uncollectible accounts is presented on the statement of operations and changes in net assets as a component of net patient service revenue.

The Center is approved as a Federally Qualitied Health Center (FQHC) for both Medicare and Medicaid reimbursement purposes. The Center has agreements with third-party payors that provide for payments to the Center at amounts different from its established rates. These payment arrangements include:

Medicare: Covered FQHC services rendered to Medicare program beneficiaries are paid in accordance with provisions of Medicare's Prospective Payment System (PPS) for FQHCs. Medicare payments, including patient coinsurance, are paid on the lesser of the Center's actual charge or the applicable PPS rate. Services not covered under the FQHC benefit are paid based on established fee schedules.

Medicaid: Covered FQHC services rendered to Medicaid program beneficiaries are paid on a prospective reimbursement methodology. The Center is reimbursed a set encounter rate for all services under the plan. Services not covered under the FQHC benefit are paid based on established fee schedules.

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation and change. As a result, it is reasonably possible that recorded estimates will change materially in the near term.

The Center has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations. The basis for payment to the Center under these agreements includes prospectively determined rates per discharge, discounts from established charges and prospectively determined daily rates.

Patient service revenue, net of contractual allowances and discounts (but before the provision for uncollectible accounts), recognized in the year ended January 31, 2019, was:

Medicare	$ 49,958
Medicaid	1,687,601
Other third-party payors	1,170,138
Self-pay	2,564,573
Totals	$ 5,472,270

Note 4: Concentration of Credit Risk

The Center grants credit without collateral to its patients, most of whom are area residents and are insured under third-party payor agreements. The mix of net receivables from patients and third-party payors at January 31, 2019, is:

Medicare	1%
Medicaid	46%
Other third-party payors	36%
Self-pay	17%
Totals	100%

Note 5: Medical Malpractice Claims

The U.S. Department of Health and Human Services deemed the Center and its practicing medical professionals, covered under FTCA for damage for personal injury, including death, resulting from the performance of medical, surgical, dental and related functions. FTCA coverage is comparable to an occurrence policy without a monetary cap.

The Center purchases general liability insurance under a claims-made policy on a fixed premium basis for services provided outside of the scope of FTCA.

Claim liabilities are to be determined without consideration of insurance recoveries. Expected recoveries are presented separately. Based upon the Center's claims experience, no accrual has been made for the Center's medical malpractice costs for the year ended January 31, 2019. It is reasonably possible that this estimate could change materially in the near term.

Note 6: Line of Credit

The Center has a $200,000 revolving bank line of credit. In July 2019, the Center amended the credit agreement to extend the maturity date to July 27, 2021. At January 31, 2019, there was $0 borrowed against this line. The line is secured by the real property at the Nashville locations. The line bears interest at the one-month London Interbank Offered Rate (LIBOR), plus 2.85%, which was 5.35% at January 31, 2019, and is payable monthly.

Note 7: Long-Term Debt

Mortgage note payable, bank (A)	$ 3,553,521
Note payable, bank (B)	-
Capital lease obligations (C)	105,263
	3,658,784
Less unamortized deferred financing costs	37,325
Less current maturities	237,875
	$ 3,383,584

(A) Due July 2023; payable $28,663 monthly including interest at the one-month LIBOR, plus 2.85%, which was 5.35% at January 31, 2019. The note is secured by the real property at the Center's Nashville location. Unamortized debt issuance costs were $37,325 at January 31, 2019.

(B) Due July 2023, payable $3,626 monthly including interest at the one-month LIBOR, plus 2.85%. During 2019, the note payable was paid in full.

(C) Due December 2023; payable monthly at $1,983 and secured by certain equipment.

Property and equipment include the following property under capital leases at January 31, 2019:

Equipment	$ 112,026
Less accumulated depreciation	(7,113)
	$ 104,913

Under the terms of the mortgage note payable and line of credit, the Center has agreed to certain covenants, which among other things, require the Center to maintain specified financial ratios and delivery of audited financial statements. On August 7, 2019, the agreements were amended to extend the delivery of audited financial statements from 150 days to 270 days after the fiscal year end.

Aggregate annual maturities and sinking fund requirements of long-term debt and payments on capital lease obligations at January 31, 2019, are:

	Long-Term Debt (Exc Leases)	Capital Lease Obligations
2020	$ 218,231	$ 23,796
2021	228,029	23,796
2022	238,267	23,796
2023	248,965	23,796
2024	2,620,029	21,813
	$ 3,553,521	116,997
Less amount representing interest		11,734
Present value of future minimum lease payments		105,263
Less current maturities		19,644
Noncurrent portion		$ 85,619

Note 8: Derivative Financial Instrument

As a strategy to maintain acceptable levels of exposure to the risk of changes in future cash flows due to interest rate fluctuations, the Center entered into an interest rate swap agreement for a portion of its variable rate debt. The agreement provides for the Center to receive interest from the counterparty at LIBOR, plus 2.85%, and to pay interest to the counterparty at a fixed rate of 4.31% on notional amounts of $3,553,521 at January 31, 2019. Under the agreement, the Center pays or receives the net interest amount monthly, with the monthly settlements included in interest expense.

This interest rate swap is recognized on the balance sheet at its fair value. Changes in the fair value of the swap is reported as nonoperating changes in net assets on the statement of operations and changes in net assets. At January 31, 2019, the fair value of the swap reflected an asset of $122,050.

Note 9: Liquidity and Availability

The Center's financial assets available within one year of the balance sheet date for general expenditure are:

Financial assets at year-end	
Cash and cash equivalents	$ 1,575,835
Patient accounts receivable, net of allowance	591,582
Other current receivables	150,133
	$ 2,317,550

As part of the Center's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. To help manage unanticipated liquidity needs, the Health Center has a committed line of credit of $200,000, which it could draw upon.

Note 10: Operating Leases

Noncancellable operating leases for certain facility space and equipment expire in various years through 2021. These leases generally contain renewal options for periods ranging from month to month to five years and require the Center to pay all executory costs (property taxes, maintenance and insurance). Lease expense was approximately $248,000 for the year ended January 31, 2019.

Future minimum lease payments at January 31, 2019, were:

2020	$ 178,933
2021	28,006
Future minimum lease payments	$ 206,939

As part of the Center's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. To help manage unanticipated liquidity needs, the Center has a committed line of credit of $200,000, which it could draw upon.

Note 11: Retirement Plan

The Center has a defined contribution retirement plan covering substantially all employees who meet certain eligibility requirements. The board of directors annually determines the amount, if any, of the Center's contributions to the plan. Contribution expense was $128,636 for 2019 and $148,185 is accrued as a contribution payable at January 31, 2019.

Note 12: Disclosures About Fair Value of Assets and Liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets or liabilities

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities

Level 3 Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

Recurring Measurements

The following table presents the fair value measurements of assets recognized in the accompanying balance sheet measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at January 31, 2019:

	Fair Value Measurements Using			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets				
Interest rate swap agreement	$ -	$ 122,050	$ -	$ 122,050

Following is a description of the valuation methodologies and inputs used for assets measured at fair value on a recurring basis and recognized in the accompanying balance sheet, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended January 31, 2019.

Interest Rate Swap Agreement

The fair value is estimated using forward-looking interest rate curves and discounted cash flows that are observable or can be corroborated by observable market data and, therefore, are classified within Level 2 of the valuation hierarchy.

Note 13: Restatement of Prior Year Financial Statements

The beginning balance of net position as of February 1, 2018, has been restated to correct an overstatement of accounts receivable in the previous year of $772,026, to record the value of the interest rate swap agreement for $188,309, to correct the presentation of debt financing costs of $45,620 from an asset to debt, to correct classification of grant receivables of $18,786 from patient accounts receivable and to correct an overstatement of accrued liabilities not yet realized for $53,000. As a result of these corrections, the Center's net position as of February 1, 2018, was decreased by $530,717 for these adjustments.

Note 14: Significant Estimates and Concentrations

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

Grant Revenues

During the year ended January 31, 2019, the Center received $5,847,742 in federal funds and $1,870,073 in a private grant from a single donor. These amounts represent 44% and 14% of total support and revenues, respectively.

Allowance for Net Patient Service Revenue Adjustments

Estimates of allowances for adjustments included in net patient service revenue are described in Notes 1 and 3.

Medical Malpractice Claims

Estimates related to the accrual for medical malpractice claims are described in Notes 1 and 5.

Litigation

In the normal course of business, the Center is, from time to time, subject to allegations that may or do result in litigation. In management's opinion, the ultimate liability resulting from such claims and litigation, if any, will not materially affect the Center's financial statements.

Note 15: Subsequent Events

Subsequent events have been evaluated through September 23, 2019, which is the date the financial statements were available to be issued.

Note 16: Future Change in Accounting Principles

Revenue Recognition

FASB amended its standards related to revenue recognition. This amendment replaces all existing revenue recognition guidance and provides a single, comprehensive revenue recognition model for all contracts with customers. The guidance provides a five-step analysis of transactions to determine when and how revenue is recognized. Other major provisions include capitalization of certain contract costs, consideration of the time value of money in the transaction price and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. The amendment also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in those judgments and assets recognized from costs incurred to fulfill a contract. The standard allows either full or modified retrospective adoption effective for annual periods beginning after December 15, 2018, for nonpublic entities, and any interim periods within annual reporting periods that begin after December 15, 2019, for nonpublic entities. The Center is in the process of evaluating the impact the amendment will have on the financial statements.

Accounting for Leases

FASB amended its standard related to the accounting for leases. Under the new standard, lessees will now be required to recognize substantially all leases on the balance sheet as both a right-of-use asset and a liability. The standard has two types of leases for income statement recognition purposes: operating leases and finance leases. Operating leases will result in the recognition of a single lease expense on a straight-line basis over the lease term similar to the treatment for operating leases under existing standards. Finance leases will result in an accelerated expense similar to the accounting for capital leases under existing standards. The determination of lease classification as operating or finance will be done in a manner similar to existing standards. The new standard also contains amended guidance regarding the identification of embedded leases in service contracts and the identification of lease and nonlease components in an arrangement. The new standard is effective for nonpublic entities for annual periods beginning after December 15, 2019, and any interim periods within annual reporting periods that begin after December 15, 2020. A tentative board decision was reached by FASB at its July 17, 2019, meeting to delay the effective date of Topic 842 by one year for these entities. Issuance of a final ASU related to this decision is expected later in 2019. The Center is evaluating the impact the standard will have on the financial statements; however, the standard is expected to have a material impact on the financial statements due to the recognition of additional assets and liabilities for operating leases.

Contributions Received

On June 21, 2018, FASB issued ASU 2018-08. This standard clarifies existing guidance on determining whether a transaction with a resource provider, e.g., the receipt of funds under a government grant or contract, is a contribution or an exchange transaction. The guidance requires all organizations to evaluate whether the resource provider is receiving commensurate value in a transfer of assets transaction, and whether contributions are conditional or unconditional.

If commensurate value is received by the resource provider, the transaction would be accounted for as an exchange transaction by applying Topic 606, Revenue from Contracts with Customers, or other topics. The standard clarifies that a resource provider is not synonymous with the general public. Indirect benefit received by the public as a result of the assets transferred is not equivalent to commensurate value received by the resource provider. If commensurate value is not received by the resource provider, *i.e.,* the transaction is nonexchange, the recipient organization would record the transaction as a contribution under Topic 958 and determine whether the contribution is conditional or unconditional.

FASB expects that the new standard could result in more grants and contracts being accounted for as contributions (often conditional contributions) than under current generally accepted accounting principles. Because of this, it believes the clarifying guidance about whether a contribution is conditional or unconditional, which affects the timing of revenue recognition, is important. Both the recipient and resource provider would equally apply the guidance.

The standard will be effective for nonpublic entities for reporting periods beginning on or after December 15, 2018. The Center is in the process of evaluating the impact the amendment will have on the financial statements.

Supplementary Information

Matthew Walker Comprehensive Health Center, Inc.

Schedule of Expenditures of Federal Awards
and State Financial Assistance
Year Ended January 31, 2019

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Expenditures
Federal Awards				
U.S. Department of Health and Human Services/ Health Center Program/Health Center Program Cluster	93.224	N/A	$ -	$ 1,989,553
U.S. Department of Health and Human Services/ Grants for New and Expanded Services under the Health Center Program/Health Center Program Cluster	93.527	N/A	-	3,783,934
Total Health Center Program Cluster			-	5,773,487
U.S. Department of Health and Human Services/ Passed through from Vanderbilt University/ Maternal Child Health Federal Consolidated Programs	93.110	VUMC38771	-	4,929
U.S. Department of Health and Human Services/ Passed through from Metro United Way Metropolitan Nashville/*Ryan White HIV/AIDS Treatment Extension Act of 2009*	93.914	NA	-	69,326
Total expenditures of federal awards			$ -	$ 5,847,742
State Financial Assistance				
Tennessee Department of Health/Primary Care Services to Uninsured Adults Ages 19 Through 64	N/A	GR-12-36444-00	$ -	$ 515,742
Tennessee Department of Health/Breast and Cervical Cancer Early Detection Program	N/A	GR-14-37805-00	-	113,181
Total state financial assistance			$ -	$ 628,923
Total expenditures of federal awards and state financial assistance			$ -	$ 6,476,665

Matthew Walker Comprehensive Health Center, Inc.
Notes to Schedule of Expenditures of Federal Awards and State Financial Assistance
Year Ended January 31, 2019

Notes to Schedule

1. The accompanying schedule of expenditures of federal awards and state financial assistance (Schedule) includes the federal and state award activity of the Matthew Walker Comprehensive Health Center, Inc. under programs of the federal and state governments for the year ended January 31, 2019. 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) and the State of Tennessee Audit Manual. Because the Schedule presents only a selected portion of the operations of the Matthew Walker Comprehensive Health Center, Inc., it is not intended to and does not present the financial position, results of operations, changes in net assets or cash flows of the Matthew Walker Comprehensive Health Center, Inc.

2. 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 and the State of Tennessee Audit Manual, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Matthew Walker Comprehensive Health Center, Inc. has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

3. The Matthew Walker Comprehensive Health Center, Inc. did not have any federal or state loan programs during the year ended January 31, 2019.

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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 Board of Directors
Matthew Walker Comprehensive Health Center, Inc.
Nashville, Tennessee

We have audited, 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, the financial statements of the Matthew Walker Comprehensive Health Center, Inc., which comprise the balance sheet as of January 31, 2019, and the related statements of operations and changes in net assets, functional expense and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 23, 2019, which contained an emphasis of matter paragraph regarding an error correction.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Matthew Walker Comprehensive Health Center, Inc.'s 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 the Matthew Walker Comprehensive Health Center, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Matthew Walker Comprehensive Health Center, Inc.'s internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be a material weakness and a significant deficiency.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2019-001 to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2019-002 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Matthew Walker Comprehensive Health Center, 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.*

Matthew Walker Comprehensive Health Center's Response to Findings

The Matthew Walker Comprehensive Health Center, Inc.'s response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Matthew Walker Comprehensive Health Center, Inc.'s response was not subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we express no opinion on it.

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.

BKD, LLP

Louisville, Kentucky
September 23, 2019

BKD CPAs & Advisors

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Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance

Independent Auditor's Report

The Board of Directors
Matthew Walker Comprehensive Health Center, Inc.
Nashville, Tennessee

Report on Compliance for Each Major Federal Program

We have audited the Matthew Walker Comprehensive Health Center, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Matthew Walker Comprehensive Health Center, Inc.'s major federal program for the year ended January 31, 2019. The Matthew Walker Comprehensive Health Center, Inc.'s major federal program is 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 federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Matthew Walker Comprehensive Health Center, Inc.'s major federal program 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 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). Those standards and the 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 the Matthew Walker Comprehensive Health Center, 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 qualified opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Matthew Walker Comprehensive Health Center, Inc.'s compliance.

Basis for Qualified Opinion on Health Center Program Cluster

As described in the accompanying schedule of findings and questioned costs, the Matthew Walker Comprehensive Health Center, Inc. did not comply with requirements regarding the Health Center Program Cluster, as described in finding numbers 2019-003 for Reporting and 2019-004 for Special Tests and Provisions. Compliance with such requirements is necessary, in our opinion, for the Center to comply with the requirements applicable to that program.

Qualified Opinion on Health Center Program Cluster

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the Matthew Walker Comprehensive Health Center, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Health Center Program Cluster for the year ended January 31, 2019.

Other Matter

The Matthew Walker Comprehensive Health Center, Inc.'s response to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs and/or corrective action plan. The Matthew Walker Comprehensive Health Center, Inc.'s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of the Matthew Walker Comprehensive Health Center, 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 the Matthew Walker Comprehensive Health Center, 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 our opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Matthew Walker Comprehensive Health Center, 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control over compliance as described in the accompanying schedule of findings and questioned costs as items 2019-003 and 2019-004 that we consider to be material weaknesses.

The Matthew Walker Comprehensive Health Center, Inc.'s response to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs and/or corrective action plan. The Matthew Walker Comprehensive Health Center, Inc.'s response was not subject to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

BKD, LLP

Louisville, Kentucky
September 23, 2019

Matthew Walker Comprehensive Health Center, Inc.
Schedule of Findings and Questioned Costs
Year Ended January 31, 2019

Summary of Auditor's Results

Financial Statements

1. The type of report the auditor issued on whether the financial statements audited were prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) was:

   ☒ Unmodified ☐ Qualified ☐ Adverse ☐ Disclaimer

2. The independent auditor's report on internal control over financial reporting disclosed:

   Significant deficiency(ies)? ☒ Yes ☐ None reported

   Material weakness(es)? ☒ Yes ☐ No

3. Noncompliance considered material to the financial statements was disclosed by the audit? ☐ Yes ☒ No

Federal Awards

4. The independent auditor's report on internal control over compliance for major federal awards programs disclosed:

   Significant deficiency(ies)? ☐ Yes ☒ None reported

   Material weakness(es)? ☒ Yes ☐ No

5. The opinion expressed in the independent auditor's report on compliance for the major federal award program was:

   ☐ Unmodified ☒ Qualified – Health Center Program Cluster ☐ Adverse ☐ Disclaimer

6. The audit disclosed findings required to be reported by 2 CFR 200.516(a)? ☒ Yes ☐ No

7. The Center's major program was:

Cluster/Program	CFDA Number
U. S. Department of Health and Human Services Health Center Program Cluster	93.224 & 93.527

8. The threshold used to distinguish between Type A and Type B programs was $750,000.

9. The Center qualified as a low-risk auditee? ☒ Yes ☐ No

Matthew Walker Comprehensive Health Center, Inc.

Schedule of Findings and Questioned Costs

Year Ended January 31, 2019

Findings Required to be Reported by *Government Auditing Standards*

Reference Number	Finding
2019-001	Criteria or specific requirement: Management is responsible for establishing and maintaining internal controls over financial reporting in accordance with accounting principles generally accepted in the United States of America. Condition: During the 2019 audit, material adjustments to accounts receivable, pharmacy receivables, interest rate swap agreement, accrued salaries and capital leases were identified, some of which related to the year ended January 31, 2018. Effect: Potentially material misstatements or restatement of the financial statements and disclosures. Cause: Management did not properly analyze historical collection percentages to estimate accounts receivable; properly reconcile cash related to the salary accrual; or properly evaluate the accounting for an interest rate swap agreement and capital lease. Recommendation: We recommend management develop and implement procedures to estimate contractual and bad debt allowance estimates based on historical collections; review cash reconciliations; and review key documents timely with appropriate individuals. Views of responsible officials and planned corrective actions: Management agrees with the recommendation. The implementation of the contractual and bad debt allowances; review of cash reconciliation; and review of key documents will be completed prior to fiscal 2020 year-end.
2019-002	Criteria or specific requirement: Management is responsible for establishing internal control processes to help mitigate improper segregation of duties in accounting functions. The financial reporting system should be designed to allow for checks and balances to provide assurance that errors could be detected in a timely manner. Condition: There is lack of appropriate segregation of duties in certain financial reporting processes.

Matthew Walker Comprehensive Health Center, Inc.

Schedule of Findings and Questioned Costs

Year Ended January 31, 2019

Findings Required to be Reported by *Government Auditing Standards* (Continued)

Reference Number	Finding
2019-002 (Continued)	Effect: Potential errors and misappropriation of assets may occur and not be detected in a timely manner.
	Cause: Given the limited size of the Center's accounting personnel, several responsibilities between various employees in the accounting function cannot be fully segregated, without hiring additional personnel.
	Recommendation: Additional compensating controls at the management and board levels should be developed to overcome and help mitigate the lack of appropriate segregation of duties.
	Views of responsible officials and planned corrective actions: Management agrees with the finding and continues to monitor opportunities for improvement. Management has employed additional staff in the accounting department and reviewed duties to aid in additional internal controls. Management believes the segregation of duties is achieved to a practical level, taking into account the size of the Center and the cost versus benefit.

Findings Required to be Reported by the Uniform Guidance

Reference Number	Finding
2019-003	Health Center Program Cluster; CFDA No. 93.224 and 93.527; U.S. Department of Health and Human Services; grant number H80CS00710; budget period February 1, 2018, through January 31, 2019.
	Criteria or specific requirement: Reporting – 42 CFR, Part 75.342
	Condition: The Center is required to prepare and submit an annual Uniform Data System (UDS) report for the calendar year. These reports are to be prepared using accurate financial information.
	Questioned cost: None
	Context: In the testing of the UDS report, two attributes (total nurse visits and medical visits) reported on the UDS were not supported by accurate underlying data from the practice management system.

Findings Required to be Reported by the Uniform Guidance (Continued)

Reference Number	Finding
2019-003 (Continued)	Effect: Potential errors may have been reported on the annual UDS. Cause: The Center was unable to produce supporting financial information for the UDS reports filed. Identification as a repeat finding, if applicable: Not a repeat finding. Recommendation: We recommend management develop a procedure to compile and retain the information needed for accurate UDS reporting. Views of responsible officials and planned corrective actions: Management agrees with the recommendation. The retention and review of supporting financial information will be monitored and reviewed by the CFO.
2019-004	Health Center Program Cluster; CFDA No. 93.224 and 93.527; U.S. Department of Health and Human Services; grant number H80CS00710; budget periods February 1, 2018, through January 31, 2019. Criteria or specific requirement: Special Tests and Provisions – 42 CFR, Part 56.303(e), (f) and (g). Health centers receiving funds under the Health Center Program Cluster are required to prepare a schedule of fees or payments for the provision of its services designed to cover its reasonable costs of operation and a corresponding schedule of discounts adjusted on the basis of the patient's ability to pay, to make every reasonable effort, including the establishment of systems for eligibility determination, billing and collection, and to secure from patients payments for services in accordance with the schedule of fees and discounts. Condition: We noted during our testing of compliance with federal awards that the Center did not properly apply the sliding fee discounts approved by the board of directors for the year ended January 31, 2019. Questioned cost: None

Findings Required to be Reported by the Uniform Guidance (Continued)

Reference Number	Finding
2019-004 (Continued)	Context: From a total of 20,618 sliding fee discounts for the period, 25 discounts were selected for testing. This sample was not, and was not intended, to be a statistically valid sample. The Center's management did prepare a schedule of discounts adjusted on the basis of the patient's ability to pay; such schedule was periodically updated and approved by the Center's board of directors; and the schedule was uploaded into the Center's billing system. However, there were errors when comparing the approved schedule to certain actual adjustments to patient accounts during the year ended January 31, 2019. For 10 of the 25 accounts selected for testing, the account had an incorrect discount applied. Effect: Discounts were not properly applied to patient accounts. Cause: The fiscal year 2019 sliding fee scale file was not properly enabled in the information technology system, and therefore, not utilized in the application of patient account discounts. Identification as a repeat finding, if applicable: Not a repeat finding. Recommendation: We recommend management develop a procedure to properly enable each updated sliding fee scale in the patient billing system, and management should periodically test the application of the sliding fee to patient accounts. Views of responsible officials and planned corrective actions: The chief financial officer will get support from the electronic medical record (EMR) vendor, to make sure that the sliding fee schedule is uploaded in the correct location so that patients' income will be structured data and capable of being pulled into reports. Recently, a new position was added: a reimbursement specialist. This position will at least quarterly pull a sample of patients' accounts where the sliding fee schedule is utilized, and the chief financial officer or designee will test for accuracy throughout the adjusted fee process. This, along with spot checking periodically in between required reporting, will prevent this from occurring again due to a systemic error.

Matthew Walker Comprehensive Health Center, Inc.

Summary Schedule of Prior Audit Findings

Year Ended January 31, 2019

Reference Number	Summary Finding	Status
	No matters are reportable.	