MATTHEW WALKER
COMPREHENSIVE HEALTH CENTER, INC.

FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

JANUARY 31, 2013

MATTHEW WALKER COMPREHENSIVE HEALTH CENTER, INC.

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CROSSLIN
&ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

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

Report on the Financial Statements

We were engaged to audit the accompanying financial statements of Matthew Walker Comprehensive Health Center, Inc., (the "Center") which comprise the balance sheet as of January 31, 2013, and the related statements of operations and changes in unrestricted net deficit, 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 conducting the audit in accordance with auditing standards generally accepted in the United States of America. Because of the matters described in the Basis tor Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

The existence of the significant contingencies related to estimates of amounts possibly owed to governmental agencies and our inability to obtain sufficient information as to the possible resolution of these matters causes us to be unable to determine the possible adjustments to the recorded assets and liabilities, the elements of the statement of operations, changes in unrestricted net deficit and cash flows. Additionally, we were unable to obtain sufficient organizational representation related to these matters.

Disclaimer of Opinion

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on these financial statements.

Other Matters

Other Information

We were engaged to audit 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, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations,* and the State of Tennessee, is presented for purposes of additional analysis and is not a required part of the financial statements. Because of the significance of the matters described above, it is inappropriate to and we do not express an opinion on the other information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 2, 2014, on our consideration of the Center'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 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* in considering the Center's internal control over financial reporting and compliance.

Crosslin & Associates, P.C.

Nashville, Tennessee
May 2, 2014

MATTHEW WALKER COMPREHENSIVE HEALTH CENTER, INC.
BALANCE SHEET

ASSETS

	January 31, 2013
Current assets:	
Certificate of deposit	$ 586,277
Patient services receivable, net	1,208,084
Contract services receivable	181,331
Other assets	77,932
Total current assets	2,053,624
Property and equipment, net	6,445,972
Total assets	$ 8,499,596

LIABILITIES AND UNRESTRICTED NET DEFICIT

Current liabilities:	
Bank overdraft	$ 38,151
Line-of-credit	749,038
Due to federal government	299,500
Accounts payable and accrued expenses	2,421,833
Accrued compensation and related liabilities	2,087,847
Current portion of notes payable	369,604
Total current liabilities	5,965,973
Long-term portion of notes payable	3,763,458
Total liabilities	9,729,431
Unrestricted net deficit	(1,229,835)
Total liabilities and unrestricted net deficit	$ 8,499,596

See accompanying notes to financial statements.

MATTHEW WALKER COMPREHENSIVE HEALTH CENTER, INC.
STATEMENT OF OPERATIONS AND
CHANGES IN UNRESTRICTED NET DEFICIT

	Year Ended January 31, 2013
Unrestricted revenue:	
Net patient service revenue	$ 6,863,605
Less: provision for bad debts	(1,576,901)
Net patient service revenue less provision for bad debts	5,286,704
DHHS grant	4,756,426
Contract services and other grants	1,072,940
Donated pharmaceuticals	12,957
Contributions and other	105,436
Total unrestricted revenue	11,234,463
Expenses:	
Salaries and benefits	7,834,492
Other operating expenses	3,010,727
Interest	296,667
Total expenses	11,141,886
Increase in revenue over expenses prior to depreciation expense	92,577
Depreciation expense	(579,495)
Increase in unrestricted net deficit	(486,918)
Unrestricted net deficit:	
Beginning of year	(742,917)
End of year	$ (1,229,835)

See accompanying notes to financial statements.

MATTHEW WALKER COMPREHENSIVE HEALTH CENTER, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JANUARY 31, 2013

	Program Services	General and Administrative	Total
Salaries and wages	$ 5,067,917	$ 1,592,821	$ 6,660,738
Employee benefits	839,523	334,231	1,173,754
Healthcare consultants	343,045	-	343,045
Consultants and professional fees	51,703	181,897	233,600
Laboratory fees	433,596	-	433,596
Consumable supplies	541,516	30,230	571,746
Occupancy	578,054	57,904	635,958
Insurance	30,820	14,367	45,187
Equipment rental, repairs and maintenance	117,628	41,329	158,957
Telephone	63,615	47,486	111,101
Travel, conferences and meetings	80,984	5,345	86,329
Dues and subscriptions	18,101	1,723	19,824
Printing, publications and postage	17,410	37,400	54,810
Interest	227,961	68,706	296,667
Other	33,855	282,719	316,574
	8,445,728	2,696,158	11,141,886
Depreciation expense	440,267	139,228	579,495
Total functional expenses	$ 8,885,995	$ 2,835,386	$ 11,721,381

See accompanying notes to financial statements.

MATTHEW WALKER COMPREHENSIVE HEALTH CENTER, INC.
STATEMENT OF CASH FLOWS

	Year Ended January 31, 2013
Cash flows from operating activities:	
Cash received from DHHS grants	$ 4,756,426
Cash received from patient services	5,025,106
Cash received from contract services	1,099,350
Cash received from contributions and other	105,436
Cash paid for interest	(296,667)
Cash paid for personnel costs	(8,495,381)
Cash paid for other operating expenses	(2,140,200)
Net cash provided by operating activities	54,070
Cash flows from investing activities:	
Purchases of property and equipment	(41,231)
Reinvestment in certificate of deposit	5,714
Net cash used in investing activities	(35,517)
Cash flows from financing activities:	
Bank overdraft assumed to be financed	38,151
Net payments on line-of-credit	(712)
Proceeds from note payable	180,000
Payments on note payable	(235,992)
Net cash used in financing activities	(18,553)
Net change in cash and cash equivalents	-
Cash and cash equivalents:	
Beginning of year	-
End of year	$ -

MATTHEW WALKER COMPREHENSIVE HEALTH CENTER, INC.
STATEMENT OF CASH FLOWS - Continued

	Year Ended January 31, 2013
Cash flows from operating activities:	
Increase in unrestricted net deficit	$ (486,918)
Adjustments to reconcile increase in unresticted net deficit to net cash provided by operating activities:	
Depreciation expense	579,495
Provision for bad debts	1,576,901
Loss on disposal of property and equipment	21,992
Changes in operating assets and liabilities:	
Decreases (increases) in:	
Patient services receivable	(1,838,499)
Contract services receivable	26,410
Other assets	56,982
Increases (decreases) in:	
Accounts payable and accrued expenses	778,596
Accrued compensation and related liabilities	(660,889)
Total adjustments	540,988
Net cash provided by operating activities	$ 54,070

See accompanying notes to financial statements.

A. ORGANIZATION

Matthew Walker Comprehensive Health Center, Inc. (the “Center") operates community health centers located in Nashville, Smyrna, and Clarksville, Tennessee. Through March 2013, the Center also had a location in Murfreesboro. The Center provides a broad range of health services to a largely medically underserved population.

The U.S. Department of Health and Human Services (the "DHHS") provides substantial support to the Center. The Center is obligated under the terms of the DHHS grants to comply with specified conditions and program requirements set forth by the grantor.

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Center follows accounting standards established by the Financial Accounting Standards Board (the "FASB") to ensure consistent reporting of financial condition, results of operations, and cash flows. References to accounting principles generally accepted in the United States of America in these notes are to the *FASB Accounting Standards Codification,* sometimes referred to as the "Codification" or "ASC."

Net Assets (Deficit)

When applicable, the Center classifies its net assets (deficit) into three categories, which are unrestricted, temporarily restricted and permanently restricted.

> Unrestricted net assets (deficit) are reflective of revenues and expenses associated with the principal operating activities of the Center and are not subject to donor-imposed stipulations.
>
> The Center does not have any temporarily or permanently restricted net assets at January 31, 2013.

The statements of operations and changes in unrestricted net assets (deficit) include excess or (deficiency) of revenue and support over (under) expenses that represents the results of operations. Changes in unrestricted net assets which are excluded from excess (deficiency) of revenue and support over (under) expenses, consistent with industry practice, include contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purpose of acquiring such assets).

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Use of Estimates in the Preparation of Financial Statements

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. Estimates also affect the reported amounts of revenue and expenses during the reporting period. The more significant estimates include contractual adjustments and related allowances for net patient services receivable, bad debt allowances and the recovery period of property and equipment. Actual results could differ from those estimates.

Cash and Cash Equivalents

All highly liquid investments held with maturities of three months or less, when purchased, are considered to be cash equivalents.

Patient Services Revenues and Receivables

Patient services revenue is reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered. Self-pay revenue is recorded at published charges with charitable allowances deducted to arrive at net self-pay revenue. All other patient services revenue is recorded at published charges with estimated contractual allowances deducted to arrive at net patient services revenue.

Patient services receivable are reported at their outstanding unpaid balances reduced by allowances for contractual discounts provided to third-party payors and an allowance for doubtful accounts. The Center estimates doubtful accounts based on historical bad debts, factors related to specific payers' ability to pay and current economic trends. The Center writes-off patient services receivables against the allowance when a balance is determined to be uncollectible. Recoveries of accounts previously written-off are recorded when received (See Notes D and I).

Inventory

Inventory, included in other assets, consists of certain medical supplies and pharmaceuticals and is recorded at the lower of cost (first-in, first-out) or market. Donated pharmaceuticals are recorded at fair value on the date of donation.

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Property and Equipment

Property and equipment is recorded at cost. Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets, which range from 3 to 10 years for furniture, equipment and vehicles, 5 to 20 years for building improvements and 50 years for building. The Center capitalizes all purchases of property and equipment in excess of $600. Leasehold improvements are amortized over the shorter of the asset's useful life or the lease term.

Contributions and Donations

Contributions are recorded at fair value when received or pledged. Amounts are recorded as temporarily or permanently restricted revenue if they have donor stipulations that limit the use of the donated asset. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted assets are reclassified as unrestricted net assets and reported in the statement of operations and changes in unrestricted net assets (deficit) as net assets released from restrictions. Donor-restricted contributions whose restrictions expire during the same fiscal year are recognized as unrestricted revenue.

Conditional contributions are recognized in the period in which the conditions have been substantially met.

Donated goods and services are recognized in the accompanying financial statements based on fair value on the date of donation.

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 non-operating 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.

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Tax Status

The Center was incorporated as a not-for-profit corporation under the laws of the State of Tennessee and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, there is no provision for income taxes in the accompanying financial statements.

The Center recognizes tax benefits from an uncertain tax position only if it is "more likely than not" that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The guidance on accounting for uncertainty in income taxes also addresses derecognition, classification, interest and penalties on income taxes, and accounting in interim periods.

Management has evaluated the Center's tax positions and concluded that the Center had taken no uncertain tax positions that require adjustment to the financial statements. With few exceptions, the Center is no longer subject to income tax examinations by U.S. federal, state or local tax authorities for years before 2010, which is the standard statute of limitations look-back period.

Financial Instruments

The Center’s financial instruments consist of a certificate of deposit, a line-of-credit and notes payable. The recorded values of the certificate of deposit, approximate their fair values based on their short-term nature. The carrying value of the line-of-credit and notes payable are not materially different from the estimated fair value of these instruments.

C. FINANCIAL CONDITION AND RELATED CONTINGENCIES

The Center has incurred substantial operating losses in fiscal years 2011 - 2013 and is in a deficit position at January 31, 2013. Current liabilities exceed current assets by approximately $3.9 million. The financial statements at January 31, 2013 include liabilities due to the IRS for estimates of payroll taxes, penalties and interest of approximately $1.3 million and a liability to Health Resources and Services Administration (HRSA) for approximately $300 thousand for grant proceeds which were not used for the intended purpose.

C. FINANCIAL CONDITION AND RELATED CONTINGENCIES - Continued

The payroll tax liability arose from the failure of the Center to remit periodic payments starting in fiscal year 2011. While most payments have been remitted periodically in fiscal year 2013 and 2014, the current (at the date of this report) amount due continues to approximate $1.8 million. The Internal Revenue Service's (IRS) course of action with regard to current payments, of this obligation has not been determined.

With regard to the HRSA $300 thousand obligation for questioned grant proceeds, the course of action with respect to settlement is also not determinable. We are also aware that there may be other questioned costs (approximately $600,000) as a result of current HRSA examinations that are not included in the January 2013 financial statements.

The financial condition of the Center and the magnitude of the uncertainties set forth in the preceding paragraphs raise substantial doubt as to the Center's ability to continue as a going concern. The current management plan to improve operations, provides no assurance as to the Center's ability to satisfy its current obligations.

D. PATIENT SERVICES RECEIVABLES, NET

Patient services receivable, net, consists of the following at January 31, 2013:

Medicare	$ 93,533
Private insurance	229,057
Self-pay	8,904,350
Tenncare managed care plans	342,905
Medicaid managed care wraparound	482,775
Tennessee Department of Health – Essential Access Pool	154,569
	10,207,189
Less allowance for doubtful accounts	(8,999,105)
	$ 1,208,084

See Note M regarding contingencies in the collection of patient services receivables.

E. PROPERTY AND EQUIPMENT, NET

Property and equipment, net, consists of the following at January 31, 2013:

Land	$ 506,269
Building and improvements	5,593,118
Furniture and equipment	3,832,554
Leasehold improvements	384,215
Vehicle	24,093
	10,340,249
Less accumulated depreciation	(3,894,277)
	$ 6,445,972

DHHS maintains a federal interest in all property purchased with federal funds. Accordingly, in the event the DHHS grants are terminated, the DHHS reserves the right to transfer all property and equipment purchased with grant funds.

F. LINE-OF-CREDIT

As of January 31, 2013, the Center has a line-of-credit that allows for maximum borrowings of $750,000 and bears interest at a fixed rate of 4.0%. The balance of the line-of-credit at January 31, 2013 was $749,038. During December 2013, the Center liquidated a certificate of deposit and reduced the line-of-credit to $165,749 and extended the maturity date to December 2014. The line-of-credit is collateralized by a second mortgage on the Center's building.

The Center has a note payable of $180,000 due February 28, 2013. The note is unsecured and bears interest at 6%.

G. NOTES PAYABLE

At January 31, 2013, the Center has a note payable agreement for $4,133,062. The loan is collaterized by the Center's building in Nashville. The note bears interest at a fixed rate of interest at 6.29%, and is payable in monthly principal and interest payments of $36,039, with the remaining balance due in October 2015.

The expected aggregate maturities of notes payable at January 31, 2013, are as follows:

Years Ending January 31,	
2014	$1,118,642
2015	201,880
2016	3,561,578
	$4,882,100

H. DHHS GRANTS

For the year ended January 31, 2013, the Center received the following grants from the U.S. Department of Health and Human Services ("DHHS"):

Grant Number	Grant Period	Total Grant	Operating Revenue	Nonoperating Revenue
6 H80CS00710-11-05	02/01/12 - 01/31/13	$4,755,701	$4,755,701	$ -

I. PATIENT SERVICES, NET

For the year ended January 31, 2013, patient services revenue consisted of the following:

	Gross Charges	Charitable and Contractual Allowances	Net Revenue
Medicare	$ 216,692	$ 63,378	$ 153,314
Private insurance	1,463,998	791,211	672,787
Self-pay	6,899,837	3,508,214	3,391,623
Tenncare managed care plans	2,520,818	1,799,616	721,202
	$11,101,345	$6,162,419	4,938,926
Medicaid managed care wraparound			1,420,174
Tennessee Department of Health - Essential Access Pool			504,505
			$6,863,605

Medicare and Tenncare reimburse the Center at the net reimbursement rates as determined by the programs. Reimbursement rates are subject to revisions under the provisions of the reimbursement regulations. Adjustments for such revisions are recognized in the year incurred. See Note M regarding contingencies relating to net patient service revenues.

J. CHARITY CARE

The Center is a not-for-profit healthcare provider established to meet the healthcare needs of area residents. The Center provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than established rates. Because the Center does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. The Center maintains certain records to identify and monitor the level of charity care it provides. The amount of direct and indirect costs of providing charity care, provided during the year ended January 31, 2013, amounted to approximately $3,480,000. Such costs have been determined by applying a ratio of costs to gross charges.

K. CONTRACT SERVICES AND OTHER GRANTS

For the year ended January 31, 2013, contract services and other grant revenues consisted of the following:

Meharry Medical College - Community Networks Program	$ 111,874
United Way - McGruder Family Resource Center	29,992
Healthy Start Program	4,168
Fatherhood Initiative Grant	93,558
Vanderbilt/Meharry Grant	21,132
Vanderbilt Castles Grant	10,399
Austin Peay Grant	3,232
Hospital Corporation of America	24,738
State of Tennessee Crime Victims Assistance	31,340
Astra Zeneca Foundation	204,116
Project Diabetes Grants	97,756
Metro Nashville - Community Enhancement Fund	22,769
Blue Cross Blue Shield Grant	5,000
GE Foundation	20,000
Medicaid Meaningful Use	255,000
Fisk University	48,171
Sickle Cell Grant	89,695
	$1,072,940

L. RETIREMENT PLAN

The Center has a defined contribution retirement plan covering substantially all employees who meet certain eligibility requirements. The amounts contributed to the plan are a fixed percentage of a participant's defined compensation. Expense relating to the retirement plan amounted to $184,993 for the year ended January 31, 2013.

M. COMMITMENTS AND CONTINGENCIES

Insurance and Legal Claims

The Center maintains medical malpractice coverage under the Federal Tort Claims Act ("FTCA"). FTCA provides malpractice coverage to eligible PHS-supported programs and applies to the Center and its employees while providing services within the scope of employment included under grant-related activities. The Attorney General, through the U.S. Department of Justice, has the responsibility for the defense of the individual and/or grantee for malpractice cases approved for FTCA coverage.

The Center is involved in various claims and legal actions arising in the ordinary course of business. Although the outcome of these items is not presently determinable, management is of the opinion that the ultimate outcome of these matters would not have a material adverse impact on the financial position of the Center or the results of its operations.

Operating Leases

The Center leases certain facility space and equipment under noncancelable operating leases. Rent expense for the year ended January 31, 2013 amounted to $265,182, respectively. Facilities and equipment leased under noncancelable operating leases require future minimum payments exceeding one year as follows:

Years Ending January 31,	
2014	$210,234
2015	197,936
2016	76,097
2017	43,235
	$527,502

M. COMMITMENTS AND CONTINGENCIES - Continued

Healthcare Industry

The healthcare industry is subject to voluminous and complex laws and regulations of federal, state and local governments. Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government healthcare program participation requirements, reimbursement laws and regulations, anti-kickback and anti-referral laws, and false claims prohibitions. In recent years, government activity has increased with respect to investigations and allegations concerning possible violations of reimbursement, false claims, anti-kickback and anti-referral statutes and regulations by healthcare providers. Management and the Board of Directors believe that the Center is in material compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing regarding healthcare laws. As a result of certain deficiencies identified in a previous onsite financial review, and the inappropriate draw-down of federal funds and other issues, HRSA has performed an on-site review, See Note C. Future reviews may also be conducted. Upon audit, if discrepancies are discovered, the Center could be held responsible for refunding any amounts in question, which could be material.

In March 2010, President Obama signed the Patient Protection and Affordable Care Act ("PPACA") into law. PPACA will result in sweeping changes across the healthcare industry, including how care is provided and paid for. A primary goal of this comprehensive reform legislation is to extend health coverage to uninsured legal U.S. residents through a combination of public program expansion and private sector health insurance reforms. To fund the expansion of insurance coverage, the legislation contains measures designed to promote quality and cost efficiency in healthcare delivery and to generate budgetary savings in the Medicare and Medicaid programs. The final regulations and interpretive guidelines are being published. Management of the Center is studying and evaluating the anticipated impacts and developing strategies needed to prepare for implementation. The Center is presently unable to fully predict the impact of PPACA on its operations and financial results, but such impact could be significant.

N. SUBSEQUENT EVENTS

The Center evaluates events occurring after the date of the financial statements to consider whether or not the impact of such events needs to be reflected or disclosed in the financial statements. Such evaluation has been performed through the date the financial statements were available to be issued, which is May 2, 2014. The forgoing footnotes disclose substantial information and observations relative to information developed during the period from the date of the financial statements to the date the financial statements were available for issuance.

OTHER INFORMATION

MATTHEW WALKER COMPREHENSIVE HEALTH CENTER
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED JANUARY 31, 2013

Source/Grant Name	CFDA Number	Contract/ Grantor Number	Beginning (Accrued) / Deferred	Cash Receipts	Expenditures	Ending (Accrued) / Deferred
FEDERAL AWARDS						
U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES						
Direct Awards						
Health Centers Cluster:						
Consolidated Health Centers Program *	93.224	N/A	$ -	$ 4,755,701	$ (4,755,701)	$ -
Affordable Care Act - Grants for School Based Health Center Capital Expenditures	93.501	C12CS21930	299,500	-	-	299,500
Pass Through Awards						
Passed through Meharry Medical College:						
Cancer Centers Support Grants	93.397	09121MKH358 02-02	495	89,524	(80,376)	9,643
Passed through Vanderbilt University:						
Maternal and Child Health Federal Consolidated Programs (Sickle Cell Program)	93.110	VUMC38771	(40,355)	91,573	(78,904)	(27,686)
Trans - NIH-Recovery Act Research Support (ARRA)	93.701	VUMC35851	(15,303)	21,132	(12,873)	(7,044)
Passed through the Tennessee Department of Health						
Centers for Disease Control and Prevention - Investigations & Techncial Assistance (Diabetes Prevention Program)	93.283	34352-97612	(7,427)	15,563	(15,289)	(7,153)
Total U.S. Department of Health & Human Services			236,910	4,973,493	(4,943,143)	267,260
U.S. DEPARTMENT OF EDUCATION						
Passed through the Tennessee Department of Health:						
State Fiscal Stabilization Fund -Government Services						
Diabetes Prevention Program (ARRA)	84.397	34351-05212	(42,307)	113,996	(71,689)	-
Passed through Vanderbilt University:						
Diabetes Prevention Program (ARRA)	84.397	4-04-203-2003	(5,345)	13,418	(10,399)	(2,326)
Total U.S. Department of Education (CFDA 84.397)			(47,652)	127,414	(82,088)	(2,326)
U.S. DEPARTMENT OF JUSTICE						
Passed through the State of Tennessee - Office of Criminal Justice Programs:						
Crime Victim Assistance	16.575	Z07033117 / 3801	(9,335)	30,454	(16,811)	4,308
State Victim Assistance Formula Grant Program (ARRA)	16.801	3905	(3,191)	15,376	(28,594)	(16,409)
Total U.S. Department of Justice			(12,526)	45,830	(45,405)	(12,101)
TOTAL FEDERAL AWARDS			176,732	5,146,737	(5,070,636)	252,833
STATE FINANCIAL ASSISTANCE						
Passed through Tennessee Department of Health:						
Essential Access Pool	N/A	GR-12-36444-00	(183,500)	533,436	(504,505)	(154,569)
TOTAL STATE AWARDS			(183,500)	533,436	(504,505)	(154,569)
TOTAL FEDERAL & STATE AWARDS			$ (6,768)	$ 5,680,173	$ (5,575,141)	$ 98,264

See notes to the schedule of expenditures of federal awards and state financial assistance and independent auditor's report.

* Denotes major program

A. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards and state financial assistance include the federal and state grant activity, respectively of Matthew Walker Comprehensive Health Center, Inc. and are presented on the accrual basis of accounting. The information in these schedules is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the State of Tennessee.

B. CONTINGENCY

The grant revenue amounts received are subject to audit and adjustment. If any expenditures are disallowed by the grantor agencies as a result of such an audit, any claim for reimbursement to the grantor agencies would become a liability of Matthew Walker Comprehensive Health Center, Inc. (the "Center"). The Center's most significant grants are received from the Health Resources and Services Administration of the U.S. Department of Health and Human Services ("HRSA"). HRSA's Division of Financial Integrity authorized a monitoring report and is in the process of finalizing that report. As a result of its findings, the HRSA may request reimbursement and the Center may incur material liabilities.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We were engaged to audit, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Matthew Walker Comprehensive Health Center, Inc. (the "Center"), which comprise the balance sheet as of January 31, 2013, and the related statements of operations and changes in unrestricted net deficit, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 2, 2014. We did not express an opinion on the financial statement because of the existence of significant contingencies related to estimates of amounts possibly owed to governmental agencies, our inability to obtain sufficient information as to the possible resolution of these matters and our inability to obtain sufficient organizational representation related to these matters.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Center'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 Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 were not 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 material weaknesses and significant deficiencies.

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 deficiencies described in the accompanying schedule of findings and questioned costs as items 13-1, 13-2, 13-3, and 13-4, to be material weaknesses.

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 deficiencies described in the accompany schedule of findings and questioned costs as items 13-5, 13-6 and 13-7 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Center'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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 13-2.

The Center's Response to Findings

The Center's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs, corrective action plan. The Center'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 organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Crosslin + Associates, P.C.

Nashville, Tennessee
May 2, 2014

CROSSLIN
&ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

Report on Compliance for Major Federal Program

We were engaged to audit Matthew Walker Comprehensive Health Center, Inc.'s (the "Center") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the Center's major federal program for the year ended January 31, 2013. The Center'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 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 the Center's major federal program based on our audit of the types of compliance requirements referred to above. We were engaged to conduct 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 Center's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. Because of the matters described in the Basis for Disclaimer of Opinion paragraph, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

As described in the accompanying schedule of findings and questioned costs, items 13-8 through 13-10, we were unable to obtain sufficient evidence supporting the Center's compliance with the Consolidated Health Centers Program (CFDA No. 93.224) nor were we able to satisfy ourselves as to the Center's compliance with the program requirements by other auditing procedures. Because we were unable to satisfy ourselves with respect to the pervasiveness of these matters, the scope of our work was not sufficient to enable us to express, and we do not express an opinion on the Center's compliance.

Disclaimer of Opinion

Because of the significance of the matters described in the Basis for Disclaimer paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion for whether the Center complied, in all material respects, with the types of compliance requirements that could have a direct and material effect on the Consolidated Health Centers Program (CFDA No. 93.224) for the year ended January 31, 2013.

Other Matters

The Center's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs, corrective action plan. The Center'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 Center 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 Center's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 Center's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph 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 were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 13-8, to be a material weaknesses.

The Center's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Center's response was not subjected 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Crosslin + Associates, P.C.

Nashville, Tennessee
May 2, 2014

MATTHEW WALKER COMPREHENSIVE HEALTH CENTER, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JANUARY 31, 2013

SECTION I – SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditor's report issued:	Disclaimer
Internal control over financial reporting:	
Material weakness(es) identified?	_x_ yes ___ no
Significant deficiency(ies) identified not considered to be material weaknesses?	_x_ yes ___ none reported
Noncompliance material to financial statements noted?	_x_ yes ___ no

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	_x_ yes ___ no
Significant deficiency(ies) identified not considered to be material weaknesses?	___ yes _x_ none reported
Type of auditors' report issued on compliance for major programs:	Disclaimer
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?	_x_ yes ___ no

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
93.224	U. S. Department of Health and Human Services - Consolidated Health Centers Program

Dollar threshold used to distinguish between Type A and Type B programs: $300,000

Auditee qualified as low-risk auditee? ___ yes _x_ no

SECTION II - FINANCIAL STATEMENT FINDINGS

13-1 - Patient Accounts Receivable

Criteria

Accounts receivable for patient services should be recorded at net realizable value in the financial statements through the recognition of allowances for contractual adjustments and estimated allowances for bad debt. Appropriate contractual adjustments and related allowances should be recorded for patient service revenues and receivables based on historical and expected pay rates from third-party payors and for self-pay accounts when the information becomes available.

Condition, Context and Cause

The Center's inability to record patient receivables is primarily caused by two conditions. First, the patient accounting application (Nexgen) and the general ledger account amounts reflect accounts and amounts that are not reasonably current. Secondly, the amounts in the separate sources do not agree. Consequently, any attempt by the Center to estimate realizable patient receivables has resulted in material overstatement of the patient receivables.

Effect

The effect of the misstatement of patient receivables, is to prevent any effective measurement of cash flows from patient services or to evaluate the Center's financial condition at any period except the year end audit estimate.

Recommendation

The only recourse to the current condition is for the Center to conduct a continuous back check of the stated receivables by tracking subsequent cash receipts by patient class and by analyzing the subsequent receipts and related trends, make quarterly adjustments to the patient receivables and adjust the contractual allowances and bad debt allowance to reflect current evaluations.

The project to purge the Nexgen files of the dated information and to reconcile the patient file information to the general ledger should be a high propriety.

SECTION II - FINANCIAL STATEMENT FINDINGS - Continued

13-2 - Payroll Tax Remittances and Tax Filings

Criteria

Payroll taxes and related payroll tax returns should be remitted / filed with the appropriate governmental authorities on a timely basis.

Condition, Context and Cause

During our testing of accrued liabilities, we noted that payroll taxes for payroll periods in fiscal year 2013 were not remitted on a timely basis, as required by law.

Effect

The failure to remit payroll taxes within legal timeframes and late filings of payroll tax returns have resulted in significant fines and penalties imposed by the government. The amount owed as of May 2, 2014, including interest and penalties, is approximately $1,800,000.

Recommendation

We recommend that, on an ongoing basis, the Center remit all payroll taxes and tax filings according to the legal timeframes. Additionally, a supervisory employee, independent of the payroll department, should review the payroll remittances on at least a monthly basis to ensure that proper remittances are being made. The Board of Directors should be informed at least monthly of the status of payroll tax remittances and related matters.

SECTION II - FINANCIAL STATEMENT FINDINGS - Continued

13-3 - Bank Account Reconciliations

Criteria

All bank accounts should be reconciled on a monthly basis. The reconciliations should provide sufficient detail of the reconciling items between bank account balances and general ledger balances.

Condition, Context and Cause

The bank account reconciliations were not performed consistently and were not available on a timely basis. Timely cash account reconciliations are significant internal control components of all cash transaction cycles.

Effect

The lack of timely bank account reconciliations indicates that internal controls surrounding the Center's cash transactions are not functioning or monitored effectively. Lack of cash reconciliations causes the Center to be more vulnerable to fraud or illegal activities.

Recommendation

Timely bank account reconciliations should be performed on all accounts. The reconciliations should be performed by an employee independent of the cash receipts and disbursements cycles. The reconciliations should clearly include all items needed to reconcile the bank balances of the accounts to the amounts reported in the general ledger. The reconciliations should be reviewed by supervisory personnel.

SECTION II - FINANCIAL STATEMENT FINDINGS - Continued

13-4 - Cash Flows

Criteria

In order to effectively monitor its operations, the Center should make and monitor cash flow projections continuously. Cash flow monitoring should include review of expenditures as well as review of collection of patient service revenue.

Condition, Context and Cause

During the fiscal year ended January 31, 2013, the Center experienced certain cash flow deficits, and the operating cash account was overdrawn for a substantial part of the fiscal year. Further, the Center was unable to timely pay vendors/creditors and incurred late fees, interest and other charges. At January 31, 2013, the Center's current liabilities significantly exceeded its current assets.

Effect

The Center has a significant net deficit in its current ratio and unrestricted net assets have been reduced by deficits in operations. The Center reports an unrestricted net deficit at January 31, 2013.

Recommendation

The Center should maintain appropriate internal controls for monitoring of cash flows. Such internal controls should include a budgeting process, budget to actual results, monitoring of cash account balances, and reporting cash flow information to the Board of Directors.

SECTION II - FINANCIAL STATEMENT FINDINGS - Continued

***13-5* - Accounts Payable and Accrued Expenses including Payroll Tax Liabilities**

Criteria

Amounts recorded in the general ledger should be supported by adequate documentation and properly reconciled throughout the year and at year-end.

Condition, Context and Cause

Certain accounts payable and accrued expense accounts, including payroll tax liabilities, did not have adequate detail of the amounts owed, including detail of the obligations and reconciliation to the general ledger throughout the year or at year-end.

Effect

The lack of reconciliations for accounts payable and accrued expenses including payroll tax liabilities caused inaccurate interim financial reporting and resulted in several year-end audit adjustments.

Recommendation

We recommend that the Center improve its accounting for accounts payable and accrued expenses including payroll tax liabilities through monthly reconciliation and review of such accounts. The reconciliations should be reviewed by supervisory personnel who are independent of the preparation of the reconciliations. The supervisory personnel should also review the general ledger postings on a routine basis throughout the year to determine accuracy and validity of the activity.

SECTION II - FINANCIAL STATEMENT FINDINGS - Continued

13-6 - Property and Equipment

Criteria

Equipment records should be maintained and a physical inventory of equipment taken at least once every two years and reconciled to the equipment records. An appropriate control system should be used to safeguard equipment, and equipment must be adequately maintained.

Condition, Context and Cause

The Center has not performed a physical inventory of equipment in several years.

Effect

Without periodic physical inventories of equipment, there is inadequate oversight, stewardship and accountability. Assets could be damaged, lost, or stolen, thus resulting in overstated financial statements.

Recommendation

Pursuant to its “Financial Management Policies and Procedures Manual”, the Center should perform a physical inventory of equipment every two years and reconcile counts against equipment records. Lost, stolen or missing equipment then should be removed from the listing and the accounting records.

SECTION II - FINANCIAL STATEMENT FINDINGS - Continued

13-7 - Internal Controls over Cash Disbursements

Criteria

The Center should follow its established procedures for all cash disbursements as outlined in its "Financial Management Policies and Procedures Manual".

Condition, Context and Cause

The Center routinely paid bills utilizing an employee's personal credit card. For one month selected for testing, the credit card reimbursement to the employee exceeded $22,000. At the time of our audit, we were able to note that the employee no longer appeared to be using the personal credit card for business payments.

Effect

By not following established cash disbursement procedures for *all* transactions, the Center is not assured that the necessary internal controls are followed, including the proper segregation of duties, resulting in inadequate stewardship over cash.

Recommendation

To help ensure adequate controls over cash disbursements, all transactions should be processed pursuant to the Center's "Financial Management Policies and Procedures Manual". Except for limited circumstances, such as travel, employee personal credit cards should not be used for routine operational disbursements.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

U.S. Department of Health and Human Services

Consolidated Health Centers Program
CFDA No. 93.224

13-8 **- Annual Audit and Data Collection Form Submission**

Criteria

OMB Circular A-133, Subpart C Auditee Responsibilities §____.320 requires that an audit be completed and the data collection form (SF-SAC) and single audit reporting package submitted within the earlier of 30 days after receipt of the auditor's report or nine months after the end of the audit period.

Condition and Context

The audits for fiscal years ending 2012 and 2013 were not completed within nine months.

Questioned Costs

None.

Cause

Several factors caused delays in the Single Audit Reporting process, including certain turnover in staff and an overall small financial staff. Additionally, the Center had reported material weaknesses and significant deficiencies in internal control over financial reporting and compliance, which caused significant delays in accurate, timely financial and other information. The Center has significant contingencies related to estimates of amounts possibly owed to governmental agencies and uncertainties related to the resolution of these matters. The Center has also not provided adequate organizational representation relating to the uncertainties, contingencies and possible adjustments.

Effect

The Center was in noncompliance with *OMB Circular A-133's* Reporting requirements, which could potentially result in a loss of Federal funding.

Recommendation

We recommend the Center prepare for and obtain a timely annual audit so that they are able to meet applicable Federal reporting requirements. We noted that the Center is preparing for the fiscal year ending 2014 audit immediately after the fiscal year 2013 engagement and intends to file it timely.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS - Continued

U.S. Department of Health and Human Services

Consolidated Health Centers Program
CFDA No. 93.224

13-9 - Lack of Adequate Governance / Oversight

<u>Criteria</u>

Pursuant to the *OMB Circular A-133 Compliance Supplement*, and specific program requirements for CFDA No. 93.224, unless waived by HRSA, the health center must have a governing board that meets at least once a month.

<u>Condition and Context</u>

The Center's Board of Directors did not meet for three of the 12 months in fiscal year ending 2013.

<u>Questioned Costs</u>

None.

<u>Cause</u>

The Board did not meet in May and December because of holidays. In June 2012, the Board did not have a quorum.

<u>Effect</u>

The Center was in noncompliance with *OMB Circular A-133's* Special Tests and Provisions and specific program requirements for CFDA 93.224. In addition, by not holding the required monthly meetings, there was inadequate oversight by the governing body.

<u>Recommendation</u>

To help ensure compliance with Federal and program requirements, and adequate oversight of the Center's operations, the Board of Directors should meet at least monthly. If a board meeting date falls on a holiday, then an alternate meeting date should be planned for and scheduled.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS - Continued

U.S. Department of Health and Human Services

Consolidated Health Centers Program
CFDA No. 93.224

13-10 **- Schedule of Fees or Payments**

Criteria

Per the *OMB Circular A-133 Compliance Supplement* for CFDA 93.224, health centers must have a schedule of fees or payments for the provision of their health services consistent with locally prevailing rates or charges and designed to cover their reasonable costs of operation. They are also required to have a corresponding schedule of discounts applied and adjusted based on the patient's ability pay.

Condition and Context

Although we noted that the schedule of fees had been updated as of February 1, 2013, the Center's "sliding scale" fee schedule used for the fiscal year ending 2013 had not been updated.

Questioned Costs

None.

Cause

Because of a lack of oversight and due care, the Center's "sliding scale" fee schedule was not updated.

Effect

The Center was not in compliance with the Program Income requirements of the *OMB Circular A-133 Compliance Supplement* for CFDA 93.224. In addition, by using an outdated schedule, the Center was not assured of charging adequate rates as necessary to cover reasonable costs of operation.

Recommendation

We recommend that the Center continue updating its "sliding scale" fee schedule to ensure the proper rates are charged and to help address operating cash flow issues.

Matthew Walker Comprehensive Health Care- Board Corrective Action Plan - FY 2013 Audit

This implementation plan outlines the MWCHC activities required to address all findings and material weaknesses cited in the FY 2013 Auditor's letter to the MWCHC Board of Directors.

MATERIAL WEAKNESS	Key Action Steps Identify the action steps that must occur to accomplish each goal.	Person/Area Responsible Identify who will be responsible and accountable for carrying out each action step.	Time Frame Identify the expected time frames for carrying out each action step.
13-1 Patient Accounts Receivable			
The Center's inability to record patient receivables is primarily caused by two conditions. First, the patient accounting application (Nexgen) and the general ledger account amounts reflect accounts and amounts that are not reasonably current. Secondly, the amounts in the separate sources do not agree. Consequently, any attempt by the Center to estimate realizable patient receivables has resulted in material overstatement of the patient receivables.	The only recourse to the current condition is for the Center to conduct a continuous back check of the stated receivables by tracking subsequent cash receipts by patient class and by analyzing the subsequent receipts and related trends, make quarterly adjustments to the patient receivables and adjust the contractual allowances and bad debt allowance to reflect current evaluations. The project to purge the Nexgen files of the dated information and to reconcile the patient file information to the general ledger should be a high propriety.	1.Finance Staff will prepare reconcile and prepare adjusting entries quarterly to adjust sub-ledger and General ledger balances to reflect current receivables. 2. Finance team will complete the process of purging old balances and account detail from G/L balances.	1. Will be complete for FY 2014 Audit and carried forward durring FY 2015. 2. Process will be completed by end of Q2 FY 2015.
13-2 Payroll Tax Remittances and Tax Filings			
Payroll taxes and related payroll tax returns should be remitted / filed with the appropriate governmental authorities on a timely basis.	We recommend that, on an ongoing basis, the Center remit all payroll taxes and tax filings according to the legal timeframes. Additionally, a supervisory employee, independent of the payroll department, should review the payroll remittances on at least a monthly basis to ensure that proper remittances are being made. The Board of Directors should be informed at least monthly of the status of payroll tax remittances and related matters.	1. Payroll Tax filings and remittances are prepared by or overseen by the Comptroller. Plans for remitting and filing the returns are reviewed and approved by the CFO for each bi-weekly payroll (remittances) and quarterly (returns). 2. Re-payment plans will be discussed with IRS as appropriate.	1. Complete and on-going since Q3 of Calendar Year 2013 2. Will revisit payment arrangements with IRS near end of this Calendar Year 2014.
13-3 Bank Account Reconciliations			
All bank accounts should be reconciled on a monthly basis. The reconciliations should provide sufficient detail of the reconciling items between bank account balances and general ledger balances. The bank account reconciliations were not performed consistently and were not available on a timely basis (during FY 2013). Timely cash account reconciliations are significant internal control components of all cash transaction cycles.	Timely bank account reconciliations should be performed on all accounts. The reconciliations should be performed by an employee independent of the cash receipts and disbursements cycles. The reconciliations should clearly include all items needed to reconcile the bank balances of the accounts to the amounts reported in the general ledger. The reconciliations should be reviewed by supervisory personnel.	Finance Staff will continue to prepare monthly bank reconcilations (including book adjusting cash entries when appropriate) on all cash accounts. CFO or Comptroller will review bank reconciliations. Reconciliations and adjustments will be reviewed with member/s of the Board of Directors as requested.	Complete and up-to-date for each month of FY 2013 and FY 2014 thru February 2014 for all Bank Accounts of May 3, 2014 (March reconciliations will be finalized by May 9, 2014, April reconciliations will be complete by May 16, 2014.

Matthew Walker Comprehensive Health Care- Board Corrective Action Plan - FY 2013 Audit

This implementation plan outlines the MWCHC activities required to address all findings and material weaknesses cited in the FY 2013 Auditor's letter to the MWCHC Board of Directors.

MATERIAL WEAKNESS	Key Action Steps Identify the action steps that must occur to accomplish each goal.	Person/Area Responsible Identify who will be responsible and accountable for carrying out each action step.	Time Frame Identify the expected time frames for carrying out each action step.
13-4 Cash Flows			
In order to effectively monitor its operations, the Center should make and monitor cash flow projections continuously. Cash flow monitoring should include review of expenditures as well as review of collection of patient service revenue.	The Center should maintain appropriate internal controls for monitoring of cash flows. Such internal controls should include a budgeting process, budget to actual results, monitoring of cash account balances, and reporting cash flow information to the Board of Directors.	1. Cash balances will be monitored daily. The current cash balances are distributed as requested to the Finance Committee of the Board. 2. In addition to cash balances, a schedule of estimated cash flows is maintained weekly. This information is also distrubuted as requested to certain business partners and the Finance Committee of the Board. 3. A formal monthly Cash Flow statement is now distributed at the monthly Board of Directors meeting. 4. Billing and Collections have been outsourced and the CEO and CFO participate in weekly progress calls to provide directions on areas needing focus by our billing contractors. 5. Self-pay statements have been sent, at least twice to all self-pay patients with balances and will continue on a monthly basis going forward. 6. Management team is developing a separate action plan to enhance and increase patient volumes, mix, and revenues. 7. Management team is also developing as part of our financial recovery plan, plans to implement fund-raising activities.	1. Completed and ongoing 2. Completed and ongoing 3. Completed and ongoing 4. Completed and ongoing 5. Continuing and seeing results in cash collections 6. Target Completion as part of the FRP will be submitted on or before May 8, 2014 7. In progress...target completion of plan on or before May 8, 2104. Further progress to renew our Certificate of Charitable Solicitation will begin after the finalization of FY 2013 Audit
13-5 Accrued Expenses including Payroll Tax Liabilities			
Amounts recorded in the general ledger should be supported by adequate documentation and properly reconciled throughout the year and at year-end.	We recommend that the Center improve its accounting for accrued expenses including payroll tax liabilities through monthly reconciliation and review of such accounts. The reconciliations should be reviewed by supervisory personnel who are independent of the preparation of the reconciliations. The supervisory personnel should also review the general ledger postings on a routine basis throughout the year to determine accuracy and validity of the activity.	1. Finance team will reconcile accounts monthly and quarterly to ensure completeness and accuracy. 2. CFO will review reconciled accounts 3. Fiscal periods will be closed timely to prevent changes to reconciled balances	1. Enhanced reconciliations will be completed for FY 2014 and forward before FY 2014 Audit. 2. ongoing 3. ongoing
13-6 Property and Equipment			
Equipment records should be maintained and a physical inventory of equipment taken at least once every two years and reconciled to the equipment records. An appropriate control system should be used to safeguard equipment, and equipment must be adequately maintained.	Pursuant to its “Financial Management Policies and Procedures Manual”, the Center should perform a physical inventory of equipment every two years and reconcile counts against equipment records. Lost, stolen or missing equipment then should be removed from the listing and the accounting records.	1. Finance team will conduct a Fixed Asset inventory before the end of July 2014 and reconcile the detailed asset listing accordingly.	1. Target completion date by end of July 2014.
13-7 Internal Controls over Cash Disbursements			
The Center routinely paid bills utilizing an employee’s personal credit card. At the time of our audit, we were able to note that the employee no longer appeared to be using the personal credit card for business payments.	To help ensure adequate controls over cash disbursements, all transactions should be processed pursuant to the Center’s “Financial Management Policies and Procedures Manual”. Except for limited circumstances, such as travel, employee personal credit cards should not be used for routine operational disbursements.	1. The Center will seek to obtain a Corporate Card attached to our BOA account to use for emergency purposes only. This card will be held in the safe and require the same proper documentation and two signatures for use as with all cash disbursements.	1. Expected completion date to obtain the card by end of May 2014.
13-8 Annual Audit and Data Collection Form Submission			

Matthew Walker Comprehensive Health Care- Board Corrective Action Plan - FY 2013 Audit

This implementation plan outlines the MWCHC activities required to address all findings and material weaknesses cited in the FY 2013 Auditor's letter to the MWCHC Board of Directors.

MATERIAL WEAKNESS	Key Action Steps Identify the action steps that must occur to accomplish each goal.	Person/Area Responsible Identify who will be responsible and accountable for carrying out each action step.	Time Frame Identify the expected time frames for carrying out each action step.
The audits for fiscal years ending 2012 and 2013 were not completed within nine months. Additionally, the data collection form and single audit reporting package were not submitted within 30 days of the audit report receipt for fiscal year ended 2012. Auditors were able to note that for the fiscal year 2013, the Center was granted an extension on its audit.	We recommend the Center prepare for and obtain a timely annual audit so that they are able to meet applicable Federal reporting requirements. We noted that the Center is preparing for the fiscal year ending 2014 audit immediately after the fiscal year 2013 engagement and intends to file it timely.	BOD has engaged Crosslin and Associates to conduct the FY 2014 Audit. Engagement calendar, timeline, and progress reports will be distributed to HRSA and the Board of Directors to ensure that MWCHC stays on track. Auditors will deliver a comprehensive audit requirements list to be prepared by MWCHC to help with meeting the deadlines.	Expected target completion date of FY 2014 and all related filings by end of August 2014
13-9 Lack of Adequate Governance / Oversight			
Pursuant to the OMB Circular A-133 Compliance Supplement, and specific program requirements for CFDA No. 93.224, unless waived by HRSA, the health center must have a governing board that meets at least once a month.	To help ensure compliance with Federal and program requirements, and adequate oversight of the Center's operations, the Board of Directors should meet at least monthly. If a board meeting date falls on a holiday, then an alternate meeting date should be planned for and scheduled.	The Board of Directors will develop a calendar and alternative policies to correct this finding.	Expected completion date by end of June 2014
13-10 Schedule of Fees or Payments			
Per the OMB Circular A-133 Compliance Supplement for CFDA 93.244, health centers must have a schedule of fees or payments for the provision of their health services consistent with locally prevailing rates or charges and designed to cover their reasonable costs of operation. They are also required to have a corresponding schedule of discounts applied and adjusted based on the patient's ability pay. Although we noted that the schedule of fees had been updated as of February 1, 2013, the Center's "sliding scale" fee schedule used for the fiscal year ending 2013 had not been updated since 2007.	We recommend that the Center continue updating its "sliding scale" fee schedule to ensure the proper rates are charged and to help address operating cash flow issues.	Center will continue to update the "sliding fee" schedule as required.	Complete and on-going

MATTHEW WALKER COMPREHENSIVE HEALTH CENTER, INC.
STATUS OF PRIOR YEAR FINDINGS
YEAR ENDED JANUARY 31, 2013

Item #	Description of Condition	Status of Corrective Action
12-1	Allowance for Contractual Adjustments and Doubtful Accounts Receivable	This item has been repeated in the current year and combined as finding 13-1.
12-2	Patient Accounts Receivable	This item has been repeated in the current year. See finding 13-1.
12-3	Payroll Tax Remittances	This item has been repeated in the current year. See finding 13-2.
12-4	Bank Account Reconciliations	This item has been repeated in the current year. See finding 13-3.
12-5	Cash Flows	This item has been repeated in the current year. See finding 13-4.
12-6	Inventories	This item has been resolved.
12-7	Accounts Payable, Accrued Expenses and Deferred Revenues	This item has been repeated in the current year. See finding 13-5.
12-8	Supporting Documentation	This item has been resolved.
12-9	Funds Drawn Down for Mobile Unit	Although the related questioned cost remains a liability at January 31, 2013, we did not note a similar finding.
12-10	Property and Equipment	This item has been resolved.
12-11	Collection of Patient Accounts Receivable	This item has been resolved.
12-12	Annual Audit and Data Collection Form Submission	This item has been repeated in the current year. See finding 13-8.