MATTHEW WALKER
Comprehensive Health Center, Inc.

FY 2016 Auditors' Report for the Board of Directors

Prepared by Hoskins & Company

HOSKINS & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

1900 Church Street, Suite 200 ■ Nashville, TN 37203
phone 615.321.7333 ■ *fax* 615.523.1868

August 22, 2016

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

We have audited the financial statements of Matthew Walker Comprehensive Health Center, Inc. (the "Center") for the year ended January 31, 2016, and have issued our report thereon dated August 12, 2016. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated January 21, 2016. Professional standards also require that we communicate to you the following information related to our audit.

<u>Significant Audit Findings</u>

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Center are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2016. We noted no transactions entered into by the Center during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was the allowance for uncollectible accounts:

> Management's estimate of the allowance for uncollectible accounts is based on historical collection rates and an analysis of the collectability of individual accounts. We evaluated the key factors and assumptions used to develop the allowance in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was regarding a prior period adjustment:

> The prior period adjustment disclosure in Note 16 to the financial statements was caused by the IRS acceptance of the Center's Offer-In-Compromise. The result of this acceptance was a reduction in the prior period IRS payroll tax liability and in increase in prior year net assets by $838,096.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit
We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements
Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management
For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations
We have requested certain representations from management that are included in the management representation letter dated August 12, 2016.

Management Consultations with Other Independent Accountants
In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Center's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues
We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Center's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Board of Directors and management of the Center and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Hoskins & Company

Hoskins & Company

MATTHEW WALKER COMPREHENSIVE HEALTH CENTER, INC.

INDEPENDENT AUDITORS' REPORT
AND FINANCIAL STATEMENTS
JANUARY 31, 2016 AND JANUARY 31, 2015

MATTHEW WALKER COMPREHENSIVE HEALTH CENTER, INC.

Table of Contents

HOSKINS & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

1900 Church Street, Suite 200 ■ Nashville, TN 37203
phone 615.321.7333 ■ *fax* 615.523.1868

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Matthew Walker Comprehensive Health Center, Inc.
1035 14th Avenue North
Nashville, TN 37208

Report on the Financial Statements
We have audited the accompanying financial statements of Matthew Walker Comprehensive Health Center (a nonprofit organization), which comprise the statement of financial position as of January 31, 2016 and January 31, 2015, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our 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 States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Matthew Walker Comprehensive Health Center as of January 31, 2016 and January 31, 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other 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, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 12, 2016, on our consideration of Matthew Walker Comprehensive Health 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 Matthew Walker Comprehensive Health Center's internal control over financial reporting and compliance.

Hoskins & Company

Nashville, Tennessee
August 12, 2016

MATTHEW WALKER COMPREHENSIVE HEALTH CENTER, INC.
STATEMENT OF FINANCIAL POSITION
JANUARY 31, 2016 AND JANUARY 31, 2015

	2016	2015
Assets		
Current Assets		
Cash and Equivalents	$ 942,002	$ 380,922
Patient Receivables, net	620,825	931,361
Contract receivables	33,092	8,631
Inventory	23,017	23,010
Prepaid Expenses and Other Current Assets	32,797	32,591
Total Current Assets	1,651,733	1,376,515
Noncurrent		
Property and Equipment, net	5,163,007	5,316,158
Total Noncurrent Assets	5,163,007	5,316,158
Total Assets	$ 6,814,740	$ 6,692,673
Liabilities and Net Assets (Deficit)		
Current Liabilities		
Accounts Payable & Accrued Expenses	$ 324,621	$ 713,525
Accrued Compensation & Related Payables	1,277,973	1,537,758
Line of Credit	165,749	165,749
Deferred Revenue	30,550	33,523
Current Portion of Notes Payable	387,278	339,508
Total Current Liabilities	2,186,171	2,790,063
Long Term Liabilities		
Long Term Portion of Notes Payable	3,674,672	4,054,199
Total Long Term Liabilities	3,674,672	4,054,199
Net Assets		
Unrestricted net asset (deficit)	953,897	(151,589)
Total Liabilities and Net Assets (Deficit)	$ 6,814,740	$ 6,692,673

The accompanying notes are an integral part of these financial statements

MATTHEW WALKER COMPREHENSIVE HEALTH CENTER, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JANUARY 31, 2016 AND JANUARY 31, 2015

	2016	2015
Unrestricted Revenue:		
Patient Services	$ 4,544,822	$ 4,275,682
Less: provision for bad debt	978,738	919,284
Net patient services revenue	3,566,084	3,356,398
Department of Health and Human Services Grant	5,190,332	5,378,931
Grant Revenue	274,681	345,120
Contributions	20,045	2,122
Other Income	299,113	355,006
Total Unrestricted Revenue	9,350,255	9,437,577
Expenses:		
Program	6,773,818	6,994,844
General and Administrative	1,470,951	1,734,756
Total Expenses	8,244,769	8,729,600
Increase in Net Assets	1,105,486	707,977
Beginning Net Assets (Deficit)	(151,589)	(859,566)
Ending Net Assets (Deficit)	$ 953,897	$ (151,589)

The accompanying notes are an integral part of these financial statements

MATTHEW WALKER COMPREHENSIVE HEALTH CENTER, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JANUARY 31, 2016 AND JANUARY 31, 2015

	2016	2015
Cash Flows from Operating Activities		
Change in Net Assets	$ 1,105,486	$ 707,977
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operations:		
Depreciation	268,839	606,315
Decrease in Accounts Receivable	286,075	263,536
Increase in Prepaid Expenses	(206)	(16,469)
Decrease in Accounts Payable	(388,904)	(566,467)
Decrease in Wages and Related Payables	(259,785)	(353,648)
Increase in Inventory	(7)	(4,389)
Decrease in Deferred Revenues	(2,973)	(95,117)
Total Adjustment in Net Income to Cash by	(96,961)	(166,239)
Total Cash Flows Provided by Operating Activities	1,008,525	541,738
Cash Flows from Investing Activities		
Purchases of Property and Equipment	(115,688)	(6,860)
Total Cash Flows Used in Investing Activities	(115,688)	(6,860)
Cash Flows from Financing Activities		
Payment of Principle on Notes Payable	(331,757)	(188,184)
Total Cash Flows Used in Financing Activities	(331,757)	(188,184)
Net Increase in Cash and Cash Equivalents	561,080	346,694
Cash and Cash Equivalents at Beginning of Period	380,922	34,228
Cash and Cash Equivalents at End of Period	$ 942,002	$ 380,922
Supplemental Cash Flow Information		
Cash paid during the period for interest	$ 307,551	$ 247,684

The accompanying notes are an integral part of these financial statements

MATTHEW WALKER COMPREHENSIVE HEALTH CENTER, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JANUARY 31, 2016

	Program Services	General and Administrative	Total
Salaries and wages	$ 3,925,006	$ 816,734	$ 4,741,740
Fringe benefits	555,873	122,318	678,191
Healthcare consultants	187,536	-	187,536
Consultants and professional fees	832	95,307	96,139
Laboratory fees	219,367	18,977	238,344
Consumable supplies	327,215	16,284	343,499
Occupancy	817,604	134,089	951,693
Insurance	34,289	17,181	51,470
Equipment rental and maintenance	54,794	20,407	75,201
Telephone	86,573	52,850	139,423
Travel, conferences and meetings	39,927	16,273	56,200
Dues and subscriptions	19,206	12,921	32,127
Printing, publications and postage	32,758	15,156	47,914
Interest	223,952	83,599	307,551
Bank and Finance Charges	258	12,283	12,541
Governing Board Expenses	963	3,123	4,086
Patient Education and Assistance	394	-	394
Depreciation	240,453	28,385	268,838
Other	6,818	5,064	11,882
Total Functional Expenses	$ 6,773,818	$ 1,470,951	$ 8,244,769

The accompanying notes are an integral part of these financial statements

MATTHEW WALKER COMPREHENSIVE HEALTH CENTER, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JANUARY 31, 2015

	Program Services	General and Administrative	Total
Salaries and wages	$ 3,985,160	$ 842,924	$ 4,828,084
Fringe benefits	709,701	182,141	891,842
Healthcare consultants	104,436	-	104,436
Consultants and professional fees	34,430	146,258	180,688
Laboratory fees	132,656	518	133,174
Consumable supplies	215,528	8,605	224,133
Occupancy	900,180	82,779	982,959
Insurance	34,375	24,074	58,449
Equipment rental and maintenance	57,900	43,411	101,311
Telephone	96,911	102,301	199,212
Travel, conferences and meetings	45,599	11,473	57,072
Dues and subscriptions	12,266	2,494	14,760
Printing, publications and postage	23,825	384	24,209
Interest	173,237	74,447	247,684
Bank and Finance Charges	9,248	47,423	56,671
Governing Board Expenses	1,027	1,268	2,295
Patient Education and Assistance	16,247	-	16,247
Depreciation	442,118	164,196	606,314
Other	-	60	60
Total Functional Expenses	$ 6,994,844	$ 1,734,756	$ 8,729,600

NOTE 1---NATURE OF ORGANIZATION

Matthew Walker Comprehensive Health Center, Inc. (the “Center") operates community health centers located in Nashville, Smyrna, and Clarksville, Tennessee. 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.

NOTE 2---SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Center have been prepared on the accrual basis of accounting and accordingly, reflect all significant receivables, payables and other liabilities. The financial statement presentation follows the recommendations of the Financial Accounting Standard Board’s Accounting Standard Codification (FASB ASC 958), Financial Statements of Not-for-Profit Organizations. Under FASB ASC 958, the Center is reporting information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Financial position and activities are classified based on the existence or absence of donor restrictions as follows:

> Unrestricted Net Assets — Net assets that are not temporarily or permanently restricted by explicit donor stipulations or by law.
>
> Temporarily Restricted Net Assets — Net assets of gifts of cash and other assets, accepted by board actions, that are received with donor stipulations that limit the use of the donated assets, or designate the assets as support for future periods.
>
> Permanently Restricted Net Assets — Net assets, accepted by board actions, subject to donor stipulations that require the asset be invested in perpetuity.

The Center does not have any temporarily or permanently restricted net assets at January 31, 2016 or January 31, 2015.

The statements of activities 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).

NOTE 2---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 Revenue and Receivable

Patient services revenue is reported at the estimated net realizable amounts from patients, third-party payers 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 payers 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 receivable against the allowance when a balance is determined to be uncollectible. Recoveries of accounts previously written-off are recorded when received (See Notes 4 and 10).

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.

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.

NOTE 2---SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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.

Functional Expenses

Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of periodic time and expense studies. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Center.

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.

NOTE 2---SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Tax Status - Continued
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 2011, which is the standard statute of limitations look-back period.

Financial Instruments
The Center’s financial instruments consist of a line-of-credit and notes payable. The carrying value of the line-of-credit and notes payable are not materially different from the estimated fair value of these instruments.

Reclassifications
Certain reclassifications have been made to the 2015 financial statement presentation to correspond to the current year’s format. Net assets and changes in net assets are unchanged due to these reclassifications.

NOTE 3---FINANCIAL CONDITION AND RELATED CONTINGENCIES

Health Resources and Services Administration (HRSA) notified the Center in January 2016 regarding their 1 year project award, beginning February 2016 through January 2017. The Center will submit its three year Service Area Competition Grant application to HRSA in August 2016, with notice of award expected in January 2017. See Note 9 regarding concentration of revenue.

NOTE 4---PATIENT SERVICES RECEIVABLES

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

	2016	2015
Medicaid	$ 835,423	$ 328,156
Medicare	154,798	74,479
Private insurance	487,409	270,949
Self-pay	1,039,403	1,031,639
Medicaid managed care wraparound	134,124	148,057
Tennessee Department of Health – Essential Access Pool	101,040	62,797
	2,752,197	1,916,077
Less allowance for doubtful accounts and contractual allowances	(2,131,372)	(984,716)
	$ 620,825	$ 931,361

NOTE 5---PROPERTY AND EQUIPMENT

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

	2016	2015
Land	$ 506,269	$ 506,269
Building and improvements	5,559,617	5,599,617
Furniture and equipment	3,959,366	3,843,678
Leasehold improvements	385,088	385,088
Vehicle	24,093	24,093
	10,434,433	10,358,745
Less accumulated depreciation	(5,271,426)	(5,042,587)
	$ 5,163,007	$ 5,316,158

Depreciation expense for the year ended January 31, 2016 and January 31, 2015 was $268,839 and $606,314, respectively.

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 property and equipment purchased with grant funds.

NOTE 6---LINE OF CREDIT

As of January 31, 2016 and January 31, 2015, the Center has a line-of-credit with a balance and maximum borrowings of $165,749. The Center is required to make monthly interest payments and the line-of-credit bears interest at a fixed rate of 5.5%. The maturity date of the line-of-credit is August 2, 2016, and is collateralized by a second mortgage on the Center's building.

NOTE 6---LINE OF CREDIT - Continued

The original due date of the line of credit was October 2015. In September 2015, the financial institution agreed to extend the due date to January 2016. In January 2016 the financial institution agreed to extend the due date to April 2016. In May 2016, the line of credit was combined with the mortgage liability financed with the same financial institution. The interest rate was changed 6.29% and the financial institution agreed to extend the due date to August 2016. In July 2016, the Center refinanced the mortgage liability and the line of credit with another financial institution.

As of July 27, 2016 the Center has a line-of-credit with a maximum borrowing of $200,000. The Center is required to make monthly interest payments and the line-of-credit bears interest at a variable rate of prime plus one quarter of one percent. The maturity date of the line-of-credit is July 27, 2017, and is collateralized by accounts receivable, inventory and equipment. The balance on the line of credit as of August 12, 2016, was $0.

NOTE 7---NOTES PAYABLE

At January 31, 2016 and 2015, long-term debt was comprised of the following:

	2016	2015
The Center has a mortgage payable that 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 August 2016, collateralized by real estate, refinanced July 27, 2016	$ 3,358,921	$ 3,576,600
The Center has a note payable used to finance operating cost. The note is unsecured, bears interest at 6% and is payable in monthly principal and interest payments of $7,568, with the remaining balance due November 2018.	174,793	241,189

NOTE 7---NOTES PAYABLE - Continued

A formal repayment agreement was offered by HRSA and accepted by the Center, to repay an outstanding obligation of $575,918. The liability bears interest at 10.5%, and is payable in monthly principal and interest payments of $10,738. The final payment date is June 2021. Refinanced July 27, 2016.	528,236	575,918
	4,061,250	4,393,707
Less Current Portion	(387,278)	(339,508)
Long-Term Debt	$ 3,674,672	$ 4,054,199

On July 27, 2016, two of the three loans noted above and the outstanding IRS payroll tax liability (NOTE 15) were refinanced at 4.31% thru another institution, payable $34,545 per month, principal and interest thru July, 2023, collateralized by real estate and the building. As of August 12, 2016, the outstanding balance of the new loan was $4,573,578 and the Center was in substantial compliance with all loan covenants.

Annual maturities of long-term debt, after giving effect to the above refinancing, are as follows:

Years Ending January 31,	
2017	$ 198,315
2018	326,757
2019	254,164
2020	260,578
2021	272,033
Thereafter	3,436,524
	$ 4,748,371

NOTE 8---DHHS GRANTS

For the year ended January 31, 2016 and January 31, 2015, the Center received the following grants from the United States Department of Health and Human Services ("DHHS"):

Grant Number	Grant Period	Total Grant	Operating Revenue	Nonoperating Revenue
6 H80CS00710	02/01/15 - 01/31/16	$5,190,343	$5,190,343	$ -
6 H80CS00710	02/01/14 - 01/31/15	$5,378,931	$5,378,931	$ -

NOTE 9---CONCENTRATION OF REVENUE

The Center obtained approximately 50% of its revenue from the United States Department of Health and Human Services, Health Resources Services Administration. Any change in regulation surrounding this department will affect the Center's revenue.

NOTE 10---PATIENT SERVICES REVENUE

For the year ended January 31, 2016, patient services revenue consisted of the following:

	Gross Charges	Charitable and Contractual Allowances	Net Revenue
Medicaid	$ 1,486,040	$ (867,947)	$ 618,093
Medicare	305,912	(175,432)	130,480
Private insurance	1,505,624	(1,110,363)	395,261
Self-pay	4,421,016	(2,467,696)	1,953,320
	$ 7,718,592	$ 4,621,438	$ 3,097,154
Medicaid managed care wraparound			1,088,487
Tennessee Department of Health - Essential Access Pool			359,181
			$ 4,544,822

NOTE 10---PATIENT SERVICES REVENUE - Continued

For the year ended January 31, 2015, patient services revenue consisted of the following:

	Gross Charges	Charitable and Contractual Allowances	Net Revenue
Medicaid	$ 1,289,523	$ (525,756)	$ 763,765
Medicare	168,295	13,485	181,780
Private insurance	1,164,591	(818,685)	345,906
Self-pay	4,362,474	(2,473,594)	1,888,880
	$ 6,984,883	$ 3,804,550	$ 3,180,330
Medicaid managed care wraparound			830,990
Tennessee Department of Health - Essential Access Pool			264,362
			$ 4,275,682

Medicaid and Medicare and 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.

NOTE 11---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, 2016 and January 31, 2015, amounted to approximately $2,468,000 and $2,474,000, respectively. Such costs have been determined by applying a ratio of costs to gross charges.

NOTE 12---CONTRACT SERVICES AND OTHER GRANTS

Contract services and other grant revenues consisted of the following for the year ended January 31:

	2016	2015
Walgreens Pharmacy Grant	$ 82,961	$ -
Family Resource Center	52,750	53,017
American Cancer Revenue	49,545	50,952
Meharry Medical College - Community Networks Program	27,185	51,668
GE Foundation	20,000	30,000
Sickle Cell Grant	11,810	10,233
Austin Peay Grant	10,156	8,268
Witness Project Grant	6,040	9,596
Frist Foundation	5,635	-
Community Outreach – Health Disparities Initiative	4,498	-
Hospital Corporation of America Foundation	3,953	1,758
Astra Zeneca Foundation	148	129,628
	$ 274,681	$ 345,120

NOTE 13---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 $0 and $135,156 for the year ended January 31, 2016 January 31, 2015, respectively.

NOTE 14---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 one known claim for legal action 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.

NOTE 14---COMMITMENTS AND CONTINGENCIES - Continued

Operating Leases

The Center leases certain facility space and equipment under non-cancelable operating leases. Rent expense for the year ended January 31, 2016 and 2015 amounted to $209,702 and $243,420, respectively. Facilities and equipment leased under non-cancelable operating leases require future minimum payments exceeding one year as follows:

Years Ending January 31,	
2017	$ 196,976
2018	142,572
2019	138,840
2020	129,154
2021	27,910
Thereafter	-
	$ 635,452

Healthcare Industry

The healthcare industry is subject to voluminous and complex laws and regulations from 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.

The Administrative Simplification Provisions of HIPAA and its implementing regulations require the use of uniform electronic data transmission standards for certain health care claims and payment transactions submitted or received electronically. These provisions are intended to encourage electronic commerce in the health care industry. HHS is in the process of adopting standards for additional electronic transactions and establishing operating rules to promote uniformity in the implementation of each standardized electronic transaction, as required by the Health Reform Law. In addition, HIPAA requires that each provider use a National Provider Identifier.

NOTE 14---COMMITMENTS AND CONTINGENCIES - Continued

The Centers for Medicare and Medicaid Services published a final rule requiring the use of updated standard code sets for certain diagnoses and procedures known as ICD-10 code sets. Implementing the ICD-10 code sets required significant administrative changes and use of the new code sets was required to begin October 1, 2015. The Center is prepared and met the implementation deadline for the ICD-10 by training providers and billing staff; which began in May 2015. The Center also underwent significant improvements to the information technology infrastructure that included hardware and software upgrades. The Center is currently operating daily utilizing the new code set with no known issues.

NOTE 15---OTHER INFORMATION

Accrued compensation and related payables is comprised of the following:

	2016	2015
Accrued Payroll	$ 228,846	$ 176,795
Vacation Accrual	209,474	223,178
IRS Payroll Tax Liability	555,582	654,684
401k Liability	284,071	483,101
	$ 1,277,973	$ 1,537,758

As of July 27, 2016, the IRS payroll tax liability was paid in full and as of June 20, 2016, the 401k liability was paid in full.

NOTE 16---PRIOR PERIOD ADJUSTMENT

Unrestricted net assets at the beginning of 2015 have been adjusted due to a reduction in IRS liabilities recognized in prior years. The IRS liabilities were due to unpaid payroll taxes and estimates of penalties and interest of approximately $1.39 million. In May 2016, the IRS accepted the offer in compromise provided by the Center in the amount of $555,578. The balance is due and payable within twelve (12) months. As a result, the prior period balance was restated to reflect this change. The correction has no effect on the results of the current or prior year's activities; however, the cumulative affect increases beginning net assets for 2015 by $838,096.

NOTE 17---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 August 12, 2016. 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.

HOSKINS & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

1900 Church Street, Suite 200 ■ Nashville, TN 37203
phone 615.321.7333 ■ *fax* 615.523.1868

INDEPENDENT AUDITORS' 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*

To the Board of Directors for
Matthew Walker Comprehensive Health Center, Inc.
1035 14th Avenue North
Nashville, TN 37208

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Matthew Walker Comprehensive Health Center (a nonprofit organization), which comprise the statement of financial position as of January 31, 2016 and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated August 12, 2016.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Matthew Walker Comprehensive Health 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.

Hoskins & Company

Nashville, Tennessee
August 12, 2016

HOSKINS & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

1900 Church Street, Suite 200 ■ Nashville, TN 37203
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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors for
Matthew Walker Comprehensive Health Center, Inc.
1035 14th Avenue North
Nashville, TN 37208

Report on Compliance for Each Major Federal Program
We have audited Matthew Walker Comprehensive Health Center's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Matthew Walker Comprehensive Health Center's major federal programs for the year ended January 31, 2016. Matthew Walker Comprehensive Health Center's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility
Management is responsible for compliance with 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 each of Matthew Walker Comprehensive Health Center's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 Matthew Walker Comprehensive Health Center's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Matthew Walker Comprehensive Health Center's compliance.

Opinion on Each Major Federal Program

In our opinion, Matthew Walker Comprehensive Health Center complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended January 31, 2016.

Report on Internal Control over Compliance

Management of Matthew Walker Comprehensive Health 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 Matthew Walker Comprehensive Health Center's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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 Matthew Walker Comprehensive Health Center's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Hoskins & Company

Nashville, Tennessee
August 12, 2016

SUPPLEMENTAL INFORMATION

MATTHEW WALKER COMPREHENSIVE HEALTH CENTER
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED JANUARY 31, 2016

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	$ -	$ 5,190,332	$ (5,268,094)	$ (77,762)
Affordable Care Act - Grants for School Based Health Center Capital Expenditures	93.501	C12CS21930	299,500	-	-	299,500
Consolidated Health Centers Grant for Capital Expenditures	93.224	6C81CS14339	276,418	-	-	228,736
Pass Through Awards						
Passed through Meharry Medical College:						
Cancer Centers Support Grants	93.397	09121MKH358 02-02	-	9,494	(27,185)	(17,691)
Passed through Vanderbilt University:						
Maternal and Child Health Federal Consolidated Programs (Sickle Cell Program)	93.110	VUMC38771	(6,843)	13,993	(11,810)	(4,660)
Total U.S. Department of Health & Human Services			569,075	5,213,819	(5,307,089)	428,123
U.S. DEPARTMENT OF EDUCATION						
Passed through the Tennessee Department of Health:						
Passed through Vanderbilt University:						
Diabetes Prevention Program (ARRA)	84.397	4-04-203-2003	(235)	-	-	(235)
Total U.S. Department of Education (CFDA 84.397)			(235)	-	-	(235)
TOTAL FEDERAL AWARDS			568,840	5,213,819	(5,307,089)	427,888
STATE FINANCIAL ASSISTANCE						
Passed through Tennessee Department of Health:						
Essential Access Pool	N/A	GR-12-36444-00	(62,799)	320,938	(359,181)	(101,042)
Health Disparities Initiative	N/A	GR-15-44898-00	-	4,498	(4,498)	-
Witness Project (TN Breast & Cervical Cancer Early Detection Program)	N/A	GR-14-37805-00	(1,036)	7,077	(6,043)	(2)
TOTAL STATE AWARDS			(63,835)	332,513	(369,722)	(101,044)
TOTAL FEDERAL & STATE AWARDS			$ 505,005	$ 5,546,332	$ (5,676,811)	$ 326,844

See notes to the schedule of expenditures of federal awards.

NOTE 1---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. (the "Center") and are presented on the accrual basis of accounting. The information in these schedules is presented in accordance with the requirements of the Uniform Guidance for Audits of States, Local Governments, and Non-Profit Organizations and the State of Tennessee.

MATTHEW WALKER COMPREHENSIVE HEALTH CENTER, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JANUARY 31, 2016

SECTION I—Summary of Independent Auditors' Results

Financial Statements

Type of auditors' report issued: [**Unmodified**]

Internal control over financial reporting:

·Material weaknesses identified?	No
·Significant deficiencies identified that are not considered to be material weaknesses?	No
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:

·Material weaknesses identified?	No
·Significant deficiencies identified that are not considered to be material weaknesses?	No

Type of auditors' report issued on compliance for major programs: [**Unmodified**]

Any audit findings disclosed that are required
to be reported in accordance Uniform Guidance? No

Identification of major programs:

CFDA NUMBER	NAME OF FEDERAL PROGRAM	AMOUNT EXPENDED
93.224	U. S. Department of Health and Human Services - Consolidated Health Centers Program	$5,268,094

Dollar threshold used to distinguish between type A and type B programs:	$750,000
Auditee qualified as a low-risk auditee?	No

SECTION II—Findings Related to the Financial Statements Audited in Accordance with Government Auditing Standards

None reported for fiscal year ended January 31, 2016.

SECTION III – Findings and Questioned Costs for Federal Awards

U.S. Department of Health and Human Services - Consolidated Health Centers Program CFDA No. 93.224

None reported for fiscal year ended January 31, 2016.

Prior Audit Findings and Questioned Costs

None reported for fiscal year ended January 31, 2015.