Matthew Walker Comprehensive Health Center, Inc.

Independent Auditor's Report and Financial Statements

January 31, 2021 and 2020

BKD

CPAs & Advisors

Matthew Walker Comprehensive Health Center, Inc.
January 31, 2021 and 2020

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Matthew Walker Comprehensive Health Center, Inc.

Rosters of Management Officials and Board Members

January 31, 2021 and 2020

Management Officials

Katina R. Beard, Chief Executive Officer

Robin Dean, Director of Human Resources

Tera Hambrick, General Counsel & Director of Regulatory Affairs

Melanie Sterbenc, Chief Financial Officer

Angela Ross, Dental Director

Ida Michele Williams, Chief Medical Officer

Board Members

Sandra Long Weaver, Chair

Jeff Teague, Chair Elect

Nile Harris, Vice Chair

Jerron Barnes, Treasurer

Marvin Evans, Secretary

Antoinne Able, MD

Theodore Jones

Sharon Langford

James Halford

Corey McMahan

Alexandria Murphy

Tanya Washington

Nicole Rowan

Cheryl Jones

Sharon Travis

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Matthew Walker Comprehensive Health Center, Inc., which comprise the balance sheets as of January 31, 2021 and 2020, and the related statements of operations and changes in net assets, 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Matthew Walker Comprehensive Health Center, Inc. as of January 31, 2021 and 2020, and the results of its operations, changes in net assets and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards and state financial assistance required by Title 2 U.S. *Code of Federal Regulations* Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State of Tennessee Audit Manual, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 24, 2021, on our consideration of the Matthew Walker Comprehensive Health Center, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Matthew Walker Comprehensive Health Center, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Matthew Walker Comprehensive Health Center, Inc.'s internal control over financial reporting and compliance.

BKD, LLP

Louisville, Kentucky
June 24, 2021

Matthew Walker Comprehensive Health Center, Inc.

Balance Sheets

January 31, 2021 and 2020

Assets

	2021	2020
Current Assets		
Cash and cash equivalents	$ 2,613,368	$ 1,408,177
Patient accounts receivable	1,219,779	975,507
Other current receivables	587,813	213,929
Inventories	73,332	32,791
Prepaid expenses	141,161	161,450
Total current assets	4,635,453	2,791,854
Property, Plant and Equipment, at Cost		
Land and improvements	506,269	506,269
Buildings and improvements	6,794,962	6,794,962
Furniture, equipment and vehicles	6,264,891	6,085,973
	13,566,122	13,387,204
Accumulated depreciation and amortization	(7,008,482)	(6,580,045)
	6,557,640	6,807,159
Total assets	$ 11,193,093	$ 9,599,013

Liabilities and Net Assets

	2021	2020
Current Liabilities		
Accounts payable	$ 261,787	$ 293,672
Current maturities of long-term debt	271,516	259,761
Accrued compensation and related payables	708,392	593,825
Accrued expenses	65,830	63,259
Deferred revenue	115,457	-
Total current liabilities	1,422,982	1,210,517
Long-Term Debt, Net	2,892,977	3,156,198
Interest Rate Swap Agreement	93,976	24,452
Total liabilities	4,409,935	4,391,167
Net Assets Without Donor Restrictions	6,783,158	5,207,846
Total liabilities and net assets	$ 11,193,093	$ 9,599,013

Matthew Walker Comprehensive Health Center, Inc.

Statements of Operations and Changes in Net Assets

Years Ended January 31, 2021 and 2020

	2021	2020
Unrestricted Revenues, Gains and Other Support		
Patient service revenue	$ 5,311,636	$ 5,562,773
Government grants and other contracts		
Federal	8,267,049	6,442,843
Other grant revenue	861,343	934,665
Contribution revenue	607,837	164,220
Other revenue	25,896	17,016
Total unrestricted revenues, gains and other support	15,073,761	13,121,517
Expenses and Losses		
Salaries and wages	7,513,086	6,755,658
Employee benefits	1,240,389	1,229,620
Purchased services and professional fees	645,273	822,209
Supplies	1,027,830	739,805
Occupancy	1,386,552	1,377,037
Depreciation	463,426	489,632
Interest	154,645	160,510
Other expenses	997,724	1,020,226
Total expenses and losses	13,428,925	12,594,697
Operating Income	1,644,836	526,820
Other Expense		
Change in fair value of interest rate swap agreement	(69,524)	(146,502)
Total other expense	(69,524)	(146,502)
Excess of Revenues over Expenses and Change in Net Assets Without Donor Restrictions	1,575,312	380,318
Change in Net Assets with Donor Restrictions	-	-
Change in Net Assets	1,575,312	380,318
Net Assets, Beginning of Year	5,207,846	4,827,528
Net Assets, End of Year	$ 6,783,158	$ 5,207,846

Matthew Walker Comprehensive Health Center, Inc.

Statements of Functional Expenses

Years Ended January 31, 2021 and 2020

2021

	Health Care Services			Support Services	
	Medical	Dental	Pharmacy	General and Administrative	Total
Salaries and wages	$ 4,702,616	$ 1,013,656	$ 263,392	$ 1,533,422	$ 7,513,086
Employee benefits	881,992	201,007	43,188	114,202	1,240,389
Purchased services and professional fees	458,755	107,978	1,750	76,790	645,273
Supplies	737,628	106,220	157,854	26,128	1,027,830
Occupancy	700,315	175,347	24,946	485,944	1,386,552
Depreciation	216,196	159,639	932	86,659	463,426
Interest	1,016	-	-	153,629	154,645
Other expenses	471,519	85,083	27,568	413,554	997,724
	$ 8,170,037	$ 1,848,930	$ 519,630	$ 2,890,328	$ 13,428,925

2020

	Health Care Services			Support Services	
	Medical	Dental	Pharmacy	General and Administrative	Total
Salaries and wages	$ 4,347,949	$ 1,012,585	$ 298,199	$ 1,096,925	$ 6,755,658
Employee benefits	760,234	175,124	48,185	246,077	1,229,620
Purchased services and professional fees	541,014	151,266	15,426	114,503	822,209
Supplies	336,909	124,396	245,150	33,350	739,805
Occupancy	917,342	109,203	16,877	333,615	1,377,037
Depreciation	197,882	210,392	1,570	79,788	489,632
Interest	1,442	-	-	159,068	160,510
Other expenses	513,123	82,112	11,812	413,179	1,020,226
	$ 7,615,895	$ 1,865,078	$ 637,219	$ 2,476,505	$ 12,594,697

Matthew Walker Comprehensive Health Center, Inc.
Statements of Cash Flows
Years Ended January 31, 2021 and 2020

	2021	2020
Operating Activities		
Change in net assets	$ 1,575,312	$ 380,318
Items not requiring operating cash flows		
Gain on sale of property and equipment	(4,000)	-
Depreciation	463,426	489,632
Amortization of debt issuance costs	8,295	8,295
Change in fair value of interest rate swap agreement	69,524	146,502
Changes in		
Patient accounts receivable	(244,272)	(383,925)
Prepaid expenses and other current receivables	(353,595)	(144,152)
Accounts payable and accrued expenses	(29,314)	212,938
Inventories	(40,541)	8,214
Accrued compensation and related payables	114,567	51,372
Deferred revenue	115,457	(135,515)
Net cash provided by operating activities	1,674,859	633,679
Investing Activities		
Purchase of property and equipment	(214,407)	(553,685)
Proceeds from sale of property and equipment	4,500	-
Net cash used in investing activities	(209,907)	(553,685)
Financing Activities		
Principal payments on long-term debt	(259,761)	(247,652)
Net cash used in financing activities	(259,761)	(247,652)
Increase (Decrease) in Cash and Cash Equivalents	1,205,191	(167,658)
Cash and Cash Equivalents, Beginning of Year	1,408,177	1,575,835
Cash and Cash Equivalents, End of Year	$ 2,613,368	$ 1,408,177
Supplemental Cash Flows Information		
Interest paid	$ 146,350	$ 152,215
Capital lease obligation incurred for property and equipment	$ -	$ 33,857

Matthew Walker Comprehensive Health Center, Inc.

Notes to Financial Statements

January 31, 2021 and 2020

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

Nature of Operations

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

Use of Estimates

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

Cash and Cash Equivalents

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

At January 31, 2021, the Center's cash accounts exceeded federally insured limits by approximately $2,210,000.

Patient Accounts Receivable

Patient accounts receivable reflect the outstanding amount of consideration to which the Center expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payors (including health insurers and government programs) and others. As a service to the patient, the Center bills third-party payors directly and bills the patient when the patient's responsibility for co-pays, coinsurance and deductibles is determined. Patient accounts receivable are due in full when billed.

No material bad debt expense was recognized for the years ended January 31, 2021 and 2020.

Patient accounts receivable balances were $1,219,779 and $975,507 at the end of the year and beginning of the year of January 31, 2021, respectively. Patient accounts receivable balances were $975,507 and $591,582 at the end of the year and beginning of the year of January 31, 2020, respectively.

Supplies

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

Property and Equipment

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

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

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

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

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

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

Long-Lived Asset Impairment

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

No asset impairment was recognized during the years ended January 31, 2021 and 2020.

Debt Issuance Costs

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

Deferred Revenue

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

Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor restrictions.

Net assets without donor restrictions are available for use in general operations and not subject to donor restrictions.

Patient Service Revenue

Patient service revenue is recognized as the Center satisfies performance obligations under its contracts with patients. Patient service revenue is reported at the estimated transaction price or amount that reflects the consideration to which the Center expects to be entitled in exchange for providing patient care. The Center determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with the Center's policies and implicit price concessions provided to uninsured patients.

The Center determines its estimates of explicit price concessions, which represent adjustments and discounts based on contractual agreements, its discount policies and historical experience by payor groups. The Center determines its estimate of implicit price concessions based on its historical collection experience by classes of patients. The estimated amounts also include variable consideration for retroactive revenue adjustments due to settlement of audits, reviews and investigations by third-party payors.

Government Grants and Contracts

Revenue from government grants and contracts designated for use in specific activities is recognized in the period when expenditures have been incurred in compliance with the grantor's restrictions. Grants and contracts awarded for the acquisition of long-lived assets are reported as unrestricted nonoperating revenue during the fiscal year in which the assets are acquired. Cash received in excess of revenue recognized is recorded as refundable advances. These grants and contracts require the Center to provide certain health care 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.

Paycheck Protection Program (PPP) Loan

The Center received a PPP loan of $1,418,102 established by the *Coronavirus Aid, Relief, and Economic Security Act* (CARES Act) and has elected to account for the funding as a conditional contribution by applying Accounting Standards Codification (ASC) Topic 958-605, *Revenue Recognition*. Revenue is recognized when conditions are met, which include meeting full time equivalent and salary reduction requirements and incurring eligible expenditures. PPP loans are subject to audit and acceptance by the U.S. Department of the Treasury, U.S. Small Business Administration (SBA) or lender; as a result of such audit, adjustments could be required to the recognition of revenue.

On March 13, 2021, $1,404,167 of the PPP loan was forgiven by the SBA. The remaining $13,935, plus accrued interest at 1%, was repaid on March 30, 2021. This liability is included in accrued expenses in the 2021 balance sheet.

Contributions

Contributions are provided to the Center either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts, with or without donor restrictions. The value recorded for each contribution is recognized as follows:

Nature of the Gift	Value Recognized
Conditional gifts, with or without restriction	
Gifts that depend on the Center overcoming a donor-imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, *i.e.*, the donor-imposed barrier is met
Unconditional gifts, with or without restriction	
Received at date of gift – cash and other assets	Fair value
Received at date of gift – property, equipment and long-lived assets	Estimated fair value
Expected to be collected within one year	Net realizable value
Collected in future years	Initially reported at fair value determined using the discounted present value of estimated future cash flows technique

In addition to the amount initially recognized, revenue for unconditional gifts to be collected in future years is also recognized each year as the present-value discount is amortized using the level-yield method.

When a donor-stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of operations and changes in net assets as net assets released from restrictions. Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment and other long-lived assets are reported when those assets are placed in service.

Gifts and investment income having donor stipulations which are satisfied in the period the gift is received are recorded as revenue and net assets without donor restrictions.

Conditional contributions having donor stipulations which are satisfied in the period the gift is received are recorded as revenue and net assets without donor restrictions.

In-Kind Contributions

In addition to receiving cash contributions, the Center receives in-kind contributions of pharmaceutical supplies from various donors. It is the policy of the Center to record the estimated fair value of certain in-kind donations as an expense in its financial statements, and similarly increase contribution revenue by the same amount. For the years ended January 31, 2021 and 2020, $339,270 and $81,377, respectively, were received as in-kind contributions.

Functional Expenses

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

Risk Management

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

The U.S. Department of Health and Human Services (HHS) has deemed the Center and its practicing physicians covered under the *Federal Tort Claims Act* (FTCA) for damages for personal injury, including death, resulting from the performance of medical, surgical, dental and related functions. FTCA coverage is comparable to an occurrence policy without a monetary cap.

Income Taxes

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

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

Transfers Between Fair Value Hierarchy Levels

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

Note 2: Grant Revenue

The Center is the recipient of a Consolidated Health Centers (CHC) grant from HHS. The general purpose of the grants is to provide expanded health care service delivery for the medically underserved population in and around Nashville, Clarksville and Smyrna, Tennessee. Terms of the grant generally provide for funding of the Center's operations based on an approved budget. Grant revenue is recognized as qualifying expenditures are incurred over the grant period. During the years ended January 31, 2021 and 2020, the Center recognized $6,279,563 and $6,251,237, respectively, in CHC grant revenue. The Center has been authorized for funding in the amount of $5,626,297 for the grant year ending January 31, 2022. In March 2021, the Center was awarded an additional $5,044,125 as part of the *American Rescue Plan Act of 2021*, with a budget period of April 2021 through March 2023.

In addition to the CHC grant, the Center receives additional financial support from other federal, state and private sources. Generally, such support requires compliance with terms and conditions specified in grant agreements and must be renewed on an annual basis.

In addition, the estimated forgiveness of the PPP loan of $1,404,167 is recorded within federal grant revenue in the statement of operations and changes in net assets.

Note 3: Patient Service Revenue

Patient service revenue is reported at the amount that reflects the consideration to which the Center expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payors (including health insurers and government programs) and others and includes variable consideration for retroactive revenue adjustments due to settlement of audits, reviews and investigations. Generally, the Center bills the patients and third-party payors several days after the services are performed. Revenue is recognized as performance obligations are satisfied.

Performance Obligations

Performance obligations are determined based on the nature of the services provided by the Center. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected or actual charges. The Center believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to patients of the Center receiving services in its clinics. The Center measures the performance obligation from the commencement of an outpatient service, to the point when it is no longer required to provide services to that patient, which is generally at the time of completion of the outpatient services. Revenue for performance obligations satisfied at a point in time is generally recognized when goods are provided to its patients and customers in a retail setting (for example, pharmaceuticals) and the Center does not believe it is required to provide additional goods related to the patient.

Transaction Price

The Center determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with the Center's policy and implicit price concessions provided to uninsured patients. The Center determines its estimates of contractual adjustments and discounts based on contractual agreements, its sliding fee discount program policies and historical experience. The Center determines its estimate of implicit price concessions based on its historical collection experience with this class of patients.

Third-Party Payors

Agreements with third-party payors typically provide for payments at amounts less than established charges. A summary of the payment arrangements with major third-party payors follows:

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

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

Other. Payment agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations provide for payment using prospectively determined rates per discharge, discounts from established charges.

Laws and regulations concerning government programs, including Medicare and Medicaid, are complex and subject to varying interpretation. As a result of investigations by governmental agencies, various health care organizations have received requests for information and notices regarding alleged noncompliance with those laws and regulations, which, in some instances, have resulted in organizations entering into significant settlement agreements. Compliance with such laws and regulations may also be subject to future government review and interpretation, as well as significant regulatory action, including fines, penalties and potential exclusion from the related programs. There can be no assurance that regulatory authorities will not challenge the Center's compliance with these laws and regulations, and it is not possible to determine the impact (if any) such claims or penalties would have upon the Center. In addition, the contracts the Center has with commercial payors also provide for retroactive audit and review of claims.

Settlements with third-party payors for retroactive adjustments due to audits, reviews or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor and the Center's historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known based on newly available information or as years are settled or are no longer subject to such audits, reviews and investigations. Adjustments arising from a change in the transaction price were not significant in 2021 and 2020.

Refund Liabilities

From time to time, the Center will receive overpayments of patient balances from third-party payors or patients resulting in amounts owed back to either the patients or third-party payors. These amounts are excluded from revenues and are recorded as liabilities until they are refunded. No material refunds to third-party payors and patients have been recognized for the years ended January 31, 2021 and 2020.

Patient and Uninsured Payors

Consistent with the Center's mission, care is provided to patients regardless of their ability to pay. Therefore, the Center has determined it has provided implicit price concessions to uninsured patients and patients with other uninsured balances, such as copays and deductibles. The implicit price concessions included in estimating the transaction price represent the difference between amounts billed to patients and the amounts the Center expects to collect based on its collection history with those patients.

Generally, patients who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. As required by Section 330 of the *Public Health Service Act* (42 U.S.C. §254b), the Center also has established a sliding fee discount program and offers low-income patients a sliding fee discount from standard charges. The Center estimates the transaction price for patients with deductibles and coinsurance and from those who are uninsured based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, sliding fee discounts and implicit price concessions based on historical collection experience. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient service revenue in the period of the change. For the years ended January 31, 2021 and 2020, no significant revenue was recognized due to changes in its estimates of implicit price concessions, discounts and contractual adjustments for performance obligations satisfied in prior years. Subsequent changes that are determined to be the result of an adverse change in the patient's ability to pay are recorded as bad debt expense.

Revenue Composition

The Center has determined that the nature, amount, timing and uncertainty of revenue and cash flows are affected by the following factors:

- Payors (for example, Medicare, Medicaid, managed care or other insurance, patient) have different reimbursement and payment methodologies
- The Center's line of business that provided the service (for example, medical outpatient, dental outpatient, pharmacy, etc.)

The composition of patient service revenue by payor for the years ended January 31, 2021 and 2020, is as follows:

	2021	2020
Medicare	$ 875,913	$ 677,355
Medicaid	2,170,730	1,883,212
Other third-party payors	1,339,975	1,526,226
Self-pay	925,018	1,475,980
Totals	$ 5,311,636	$ 5,562,773

Financing Component

The Center has elected the practical expedient allowed under Financial Accounting Standards Board (FASB) ASC 606-10-32-18 and does not adjust the promised amount of consideration from patients and third-party payors for the effects of a significant financing component due to the Center's expectation that the period between the time the service is provided to a patient and the time the patient or a third-party payor pays for that service will be one year or less.

Contract Costs

The Center has applied the practical expedient provided by FASB ASC 340-40-25-4 and all incremental customer contract acquisition costs are expensed as they are incurred, as the amortization period of the asset that the Center otherwise would have recognized is one year or less in duration.

Note 4: Concentration of Credit Risk

The Center grants credit without collateral to its patients, most of whom are area residents and are insured under third-party payor agreements. The mix of net receivables from patients and third-party payors at January 31, 2021 and 2020, is:

	2021	2020
Medicare	3%	7%
Medicaid	81%	51%
Other third-party payors	7%	18%
Self-pay	9%	24%
Totals	100%	100%

Note 5: Medical Malpractice Claims

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

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

Claim liabilities are to be determined without consideration of insurance recoveries. Expected recoveries are presented separately. Based upon the Center's claims experience, no accrual has been made for the Center's medical malpractice costs for the years ended January 31, 2021 and 2020. It is reasonably possible that this estimate could change materially in the near term.

Note 6: Line of Credit

The Center has a $200,000 revolving bank line of credit maturing on July 27, 2021. At January 31, 2021 and 2020, there was $0 borrowed against this line. The line is secured by the real property at the Nashville locations. The line bears interest at the one-month London Interbank Offered Rate (LIBOR), plus 2.85%, which was 2.98% at January 31, 2021, and is payable monthly.

Note 7: Long-Term Debt

	2021	2020
Mortgage note payable, bank (A)	$ 3,107,263	$ 3,335,291
Capital lease obligations (B)	77,965	109,698
	3,185,228	3,444,989
Less unamortized deferred financing costs	20,735	29,030
Less current maturities	271,516	259,761
	$ 2,892,977	$ 3,156,198

(A) Due July 2023; payable $28,663 monthly, including interest at the one-month LIBOR, plus 2.85%, which was 2.98% at January 31, 2021. The note is secured by the real property at the Center's Nashville location. Unamortized debt issuance costs were $20,735 and $29,030 at January 31, 2021 and 2020, respectively.

(B) Various capital leases due through December 2023; payable monthly at $3,003 and secured by certain equipment.

Property and equipment include the following property under capital leases at January 31, 2021 and 2020:

	2021	2020
Equipment	$ 145,883	$ 145,883
Accumulated depreciation	(71,420)	(38,796)
	$ 74,463	$ 107,087

Under the terms of the mortgage note payable and line of credit, the Center has agreed to certain covenants, which among other things, require the Center to maintain specified financial ratios and delivery of audited financial statements.

Aggregate annual maturities and sinking fund requirements of long-term debt and payments on capital lease obligations at January 31, 2021, are:

	Long-Term Debt (Exc Leases)	Capital Lease Obligations
2022	$ 238,267	$ 36,036
2023	248,965	24,816
2024	2,620,030	21,813
	$ 3,107,262	82,665
Less amount representing interest		4,700
Present value of future minimum lease payments		77,965
Less current maturities		33,249
Noncurrent portion		$ 44,716

Note 8: Derivative Financial Instrument

As a strategy to maintain acceptable levels of exposure to the risk of changes in future cash flows due to interest rate fluctuations, the Center entered into an interest rate swap agreement for a portion of its variable rate debt. The agreement provides for the Center to receive interest from the counterparty at LIBOR, plus 2.85%, and to pay interest to the counterparty at a fixed rate of 4.31% on notional amounts of $3,107,262 and $3,335,291 at January 31, 2021 and 2020, respectively. Under the agreement, the Center pays or receives the net interest amount monthly, with the monthly settlements included in interest expense.

This interest rate swap is recognized on the balance sheets at its fair value. Changes in the fair value of the swap are reported as nonoperating changes in net assets on the statement of operations and changes in net assets. The fair value of the swap reflected a liability of $93,976 and $24,452 at January 31, 2021 and 2020, respectively.

Note 9: Liquidity and Availability

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

	2021	2020
Financial assets at year-end		
Cash and cash equivalents	$ 2,613,368	$ 1,408,177
Patient accounts receivable	1,219,779	975,507
Other current receivables	587,813	213,929
	$ 4,420,960	$ 2,597,613

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

Note 10: Operating Leases

The Center had several noncancellable operating leases for certain facility space and equipment which expired in 2020 and contain renewal options for month to month. The lease agreements require the Center to pay all executory costs (property taxes, maintenance and insurance). Lease expense was approximately $226,000 and $211,000 for the years ended January 31, 2021 and 2020, respectively. As all lease agreements are currently under month to month renewals, there is no future minimum lease payment requirement at January 31, 2021.

Note 11: Retirement Plan

The Center has a defined contribution retirement plan covering substantially all employees who meet certain eligibility requirements. The board of directors annually determines the amount, if any, of the Center's contributions to the plan. Contribution expense was $136,733 and $169,382 for 2021 and 2020, respectively, and $196,187 and $172,319 is accrued as a contribution payable at January 31, 2021 and 2020, respectively.

Note 12: Disclosures About Fair Value of Assets and Liabilities

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

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

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

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

Recurring Measurements

The following table presents the fair value measurements of liabilities recognized in the accompanying balance sheets measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at January 31, 2021 and 2020:

	Fair Value Measurements Using			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
January 31, 2021				
Interest rate swap agreement	$ -	$ (93,976)	$ -	$ (93,976)
January 31, 2020				
Interest rate swap agreement	$ -	$ (24,452)	$ -	$ (24,452)

Following is a description of the valuation methodologies and inputs used for liabilities measured at fair value on a recurring basis and recognized in the accompanying balance sheets, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended January 31, 2021.

Interest Rate Swap Agreement

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

Note 13: Significant Estimates and Concentrations

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

Grant Revenues

During the year ended January 31, 2021, the Center received $8,267,049 in federal funds which represents 55% of total support and revenues.

During the year ended January 31, 2020, the Center received $6,442,843 in federal funds which represents 49% of total support and revenues.

Allowance for Patient Service Revenue Adjustments

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

Medical Malpractice Claims

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

Litigation

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

Note 14: COVID-19 Pandemic and CARES Act Funding

On March 11, 2020, the World Health Organization designated the SARS-CoV-2 virus and the incidence of COVID-19 as a global pandemic. Patient volumes and the related revenues were significantly affected by COVID-19, as various policies were implemented by federal, state and local governments in response to the pandemic that led many people to remain at home and forced the closure of or limitations on certain businesses, as well as suspended elective procedures by health care facilities.

While some of these policies have been eased and states have lifted moratoriums on nonemergent procedures, some restrictions remain in place, and some state and local governments are re-imposing certain restrictions due to increasing rates of COVID-19 cases.

Beginning in mid-March, the Center deferred all nonessential medical visits and suspended elective dental and behavioral health visits, which resumed at different dates during the second quarter of the fiscal year.

The Center's pandemic response plan has multiple facets and continues to evolve as the pandemic unfolds. The Center has taken precautionary steps to enhance its operational and financial flexibility and react to the risks the COVID-19 pandemic presents to its business, including the following:

- Implementation of targeted cost reduction initiatives

In addition, the Center was awarded $1,532,170 in Health Resources and Services Administration COVID-19 specific grants, as provided for under the CARES Act.

The extent of the COVID-19 pandemic's adverse effect on the Center's operating results and financial condition has been and will continue to be driven by many factors, most of which are beyond the Center's control and ability to forecast. Such factors include, but are not limited to, the scope and duration of stay-at-home practices and business closures and restrictions, government-imposed or recommended suspensions of elective procedures, continued declines in patient volumes for an indeterminable length of time, increases in the number of uninsured and underinsured patients as a result of higher sustained rates of unemployment, incremental expenses required for supplies and personal protective equipment and changes in professional and general liability exposure.

Because of these and other uncertainties, the Center cannot estimate the length or severity of the effect of the pandemic on the Health Center's business. Decreases in cash flows and results of operations may have an effect on the inputs and assumptions used in significant accounting estimates, including estimated implicit price concessions related to uninsured patient accounts.

Subsequent to year-end as part of the *American Rescue Plan Act*, the Center was awarded a federal grant award of $5,044,125 for a budget period of April 2021 through March 2023. The award has specific terms and conditions that must be followed when utilizing the funding. Grant revenue will be recognized, and grant funds drawn down, as the Center meets the conditions prescribed by the grant agreement, which require incurring qualifying expenditures over the grant period.

Provider Relief Fund

During the year ended January 31, 2021, the Center received $103,629 of distributions from the CARES Act Provider Relief Fund. These distributions from the Provider Relief Fund are not subject to repayment, provided the Center is able to attest to and comply with the terms and conditions of the funding, including demonstrating that the distributions received have been used for qualifying expenses or lost revenue attributable to COVID-19, as defined by HHS.

The Center has elected to account for such payments as conditional contributions in accordance with ASC Topic 958-605, *Revenue Recognition*. Payments are recognized as contribution revenue once the applicable terms and conditions required to retain the funds have been substantially met. Based on an analysis of the compliance and reporting requirements of the Provider Relief Fund and the effect of the pandemic on the Center's revenues and expenses through January 31, 2021, the Center has not recognized any amount related to the distributions from the Provider Relief Fund and amounts are recorded in deferred revenues within the balance sheet at January 31, 2021.

The Center will continue to monitor compliance with the terms and conditions of the Provider Relief Fund and the effect of the pandemic on the Center's revenues and expenses. The terms and conditions governing the Provider Relief Fund are complex and subject to interpretation and change. If the Center is unable to attest to or comply with current or future terms and conditions, the ability to retain some or all of the distributions received may be affected. Additionally, the amounts recorded in the financial statements compared to the Center's Provider Relief Fund reporting could differ. Provider Relief Funds are subject to government oversight, including potential audits.

Note 15: Subsequent Events

Subsequent events have been evaluated through June 24, 2021, which is the date the financial statements were available to be issued.

Note 16: Future Change in Accounting Principle

Accounting for Leases

FASB amended its standard related to the accounting for leases. Under the new standard, lessees will now be required to recognize substantially all leases on the balance sheets as both a right-of-use asset and a liability. The standard has two types of leases for statements of operations recognition purposes: operating leases and finance leases. Operating leases will result in the recognition of a single lease expense on a straight-line basis over the lease term similar to the treatment for operating leases under existing standards. Finance leases will result in an accelerated expense similar to the accounting for capital leases under existing standards. The determination of lease classification as operating or finance will be done in a manner similar to existing standards. The new standard also contains amended guidance regarding the identification of embedded leases in service contracts and the identification of lease and nonlease components in an arrangement. The new standard is effective for annual periods beginning after December 15, 2021, and any interim periods within annual reporting periods that begin after December 15, 2022. The Center is evaluating the impact the standard will have on the financial statements.

Supplementary Information

Matthew Walker Comprehensive Health Center, Inc.
Schedule of Expenditures of Federal Awards
and State Financial Assistance
Year Ended January 31, 2021

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Expenditures
Federal Awards				
U.S. Department of Health and Human Services/ Health Center Program/Health Center Program Cluster	93.224	N/A	$ -	$ 1,854,043
U.S. Department of Health and Human Services/ Grants for New and Expanded Services under the Health Center Program/Health Center Program Cluster	93.527	N/A	-	3,625,827
U.S. Department of Health and Human Services/ COVID-19: FY2020 Coronavirus Supplemental Funding for Health Centers/Health Center Program Cluster	93.224	N/A	-	86,536
U.S. Department of Health and Human Services/ COVID-19: Health Center *Coronavirus Aid, Relief and Economic Security Act* (CARES Act) Funding/Health Center Program Cluster	93.224	N/A	-	685,754
U.S. Department of Health and Human Services/ COVID-19: FY2020 Expanded Capacity for Coronavirus Testing (ECT)/Health Center Program Cluster	93.224	N/A	-	27,403
Total Health Center Program Cluster			$ -	$ 6,279,563
U.S. Department of Health and Human Services/ Passed through from Vanderbilt University/ Maternal Child Health Federal Consolidated Programs	93.110	VUMC38771	$ -	$ 3,365
U.S. Department of Health and Human Services/ Passed through from Metro United Way Metropolitan Nashville/*Ryan White HIV/AIDS Treatment Extension Act of 2009*	93.914	X07HA00024	-	73,209
U.S. Department of Health and Human Services/ Passed through State of Tennessee, Department of Mental Health and Substance Abuse Services *State Opioid Response - Spoke*	93.788	H79T1081708	-	409,284
U.S. Department of Health and Human Services/ Passed through Meharry Medical College *Model State Supported AHEC Program*	93.107	U77HP03040	-	98,376
U.S. Department of Health and Human Services/ Passed through Meharry Medical College *Tennessee COVID-19 Community-Engaged Research Coalition (Lung Diseases Research)*	93.838	1OT2HL156812	-	18,714
U.S. Department of Treasury/ Passed through United Way of Metropolitan Nashville/COVID-19: CARES Act	21.019	N/A	-	48,164
Total expenditures of federal awards			$ -	$ 6,930,675

Matthew Walker Comprehensive Health Center, Inc.

Schedule of Expenditures of Federal Awards (Continued)
and State Financial Assistance
Year Ended January 31, 2021

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Expenditures
State Financial Assistance				
Tennessee Department of Health/Primary Care Services to Uninsured Adults Ages 19 Through 64	N/A	GR-12-36444-00	$ -	$ 214,044
Tennessee Department of Health/Breast and Cervical Cancer Early Detection Program	N/A	GR-14-37805-00	-	69,396
Total state financial assistance			$ -	$ 283,440
Total expenditures of federal awards and state financial assistance			$ -	$ 7,214,115

Matthew Walker Comprehensive Health Center, Inc.

Notes to Schedule of Expenditures of Federal Awards and State Financial Assistance Year Ended January 31, 2021

Notes to Schedule

1. The accompanying schedule of expenditures of federal awards and state financial assistance (Schedule) includes the federal and state award activity of the Matthew Walker Comprehensive Health Center, Inc. under programs of the federal and state governments for the year ended January 31, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State of Tennessee Audit Manual. Because the schedule presents only a selected portion of the operations of the Matthew Walker Comprehensive Health Center, Inc., it is not intended to and does not present the financial position, results of operations, changes in net assets or cash flows of the Matthew Walker Comprehensive Health Center, Inc.

2. Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance and the State of Tennessee audit manual, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The Matthew Walker Comprehensive Health Center, Inc. has elected not to use the 10% de minimis indirect cost rate allowed under Uniform Guidance.

3. The Matthew Walker Comprehensive Health Center, Inc. did not have any federal or state loan programs during the year ended January 31, 2021.

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Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Independent Auditor's Report

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Matthew Walker Comprehensive Health Center, Inc., which comprise the balance sheet as of January 31, 2021, and the related statements of operations and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 24, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Matthew Walker Comprehensive Health Center, Inc.'s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Matthew Walker Comprehensive Health Center, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Matthew Walker Comprehensive Health Center, Inc.'s internal control.

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 preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2021-001, that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Matthew Walker Comprehensive Health Center, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Matthew Walker Comprehensive Health Center's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BKD, LLP

Louisville, Kentucky
June 24, 2021

BKD
CPAs & Advisors

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

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

We have audited the Matthew Walker Comprehensive Health Center, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Matthew Walker Comprehensive Health Center, Inc.'s major federal program for the year ended January 31, 2021. The Matthew Walker Comprehensive Health Center, Inc.'s major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Matthew Walker Comprehensive Health Center, Inc.'s major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations* Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Matthew Walker Comprehensive Health Center, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Health Center Program Cluster

In our opinion, the Matthew Walker Comprehensive Health Center, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Health Center Program Cluster for the year ended January 31, 2021.

Report on Internal Control over Compliance

Management of the Matthew Walker Comprehensive Health Center, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Matthew Walker Comprehensive Health Center, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Matthew Walker Comprehensive Health Center, Inc.'s internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. 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.

BKD, LLP

Louisville, Kentucky
June 24, 2021

Matthew Walker Comprehensive Health Center, Inc.

Schedule of Findings and Questioned Costs

Year Ended January 31, 2021

Summary of Auditor's Results

Financial Statements

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

   ☒ Unmodified ☐ Qualified ☐ Adverse ☐ Disclaimer

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

Significant deficiency(ies)?	☒ Yes	☐ None reported
Material weakness(es)?	☐ Yes	☒ No

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

Federal Awards

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

Significant deficiency(ies)?	☐ Yes	☒ None reported
Material weakness(es)?	☐ Yes	☒ No

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

   ☒ Unmodified ☐ Qualified ☐ Adverse ☐ Disclaimer

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

7. The Center's major program was:

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

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

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

Findings Required to be Reported by *Government Auditing Standards*

Reference Number	Finding
2021-001	Criteria or specific requirement: Management is responsible for establishing internal control processes to help mitigate improper segregation of duties in accounting functions. The financial reporting system should be designed to allow for checks and balances to provide assurance that errors could be detected in a timely manner. Condition: There is lack of appropriate segregation of duties in certain financial reporting processes. Effect: Potential errors and misappropriation of assets may occur and not be detected in a timely manner. Cause: Given the limited number of the Center's accounting personnel, several responsibilities between various employees in the accounting function cannot be fully segregated, without hiring additional personnel. Recommendation: Additional compensating controls at the management and board levels should be developed to overcome and help mitigate the lack of appropriate segregation of duties. Views of responsible officials and planned corrective actions: Management agrees with the finding and continues to monitor opportunities for improvement. Management has employed additional staff in the accounting department and reviewed duties to aid in additional internal controls. Management believes the segregation of duties is achieved to a practical level, taking into account the size of the Center and the cost versus benefit.

Matthew Walker Comprehensive Health Center, Inc.

Schedule of Findings and Questioned Costs (Continued)

Year Ended January 31, 2021

Findings Required to be Reported by Uniform Guidance

Reference Number	Finding
	No matters are reportable.

Matthew Walker Comprehensive Health Center, Inc.

Summary Schedule of Prior Audit Findings

Year Ended January 31, 2021

Reference Number	Summary of Finding	Status
2019-002 & 2020-001	There is lack of appropriate segregation of duties in certain financial reporting processes. The fiscal years 2019 and 2020 findings were documented in the schedule of findings and questioned costs that were issued September 23, 2019, and August 24, 2020, respectively. Reason for recurrence: Given the limited size of the Center's accounting personnel, several responsibilities between various employees in the accounting function cannot be fully segregated, without hiring additional personnel.	Unresolved. See finding 2021-001.
2019-004 & 2020-002	Noncompliance with special tests and provisions related to use of the approved sliding fee scale. The fiscal year 2019 finding was documented in the schedule of findings and questioned costs that was issued September 23, 2019. Reason for recurrence: The fiscal year 2019 schedule of findings and questioned costs was issued nearly nine months after fiscal year 2019; therefore, the 2019 finding had not yet been resolved at the time the fiscal year 2020 report was issued. The Center has uploaded updated sliding fee schedules in the system.	Resolved

MATTHEW WALKER
Comprehensive Health Center, Inc.

June 24, 2021

RE: Matthew Walker Comprehensive Health Center, Inc. – January 31, 2021 Corrective Action Plan

To Whom It May Concern,

Please see below our response for the audit finding from the 2020-21 audit.

FINDINGS: FINANCIAL STATEMENT AUDIT

Finding No. 2021-001 There is lack of appropriate segregation of duties in certain financial reporting processes.

Corrective Action: The CFO will continue to analyze the need for additional accounting and finance positions and opportunities to further segregate duties.

Contact Person: Melanie Sterbenc
Expected Implementation: July 15, 2021

Sincerely,

Melanie Sterbenc

Melanie Sterbenc
Chief Financial Officer
Contact: (615) 324-9675

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