

Matthew Walker Comprehensive Health Center, Inc.

Independent Auditor's Report and Financial Statements

January 31, 2022 and 2021

Matthew Walker Comprehensive Health Center, Inc.
January 31, 2022 and 2021

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Matthew Walker Comprehensive Health Center, Inc.
Rosters of Management Officials and Board Members
January 31, 2022 and 2021

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

Jeff Teague, Chair
Nile Harris, Vice Chair
Jerron Barnes, Treasurer
Sharon Langford, Secretary
Marvin Evans
Theodore Jones
James Halford
Corey McMahan
Alexandria Murphy
Tanya Washington
Sandra Long Weaver
Nicole Rowan
Cheryl Jones
Sharon Travis
Kelvin Moses, MD
Angela Horton, MD
Tony Boykin
Jonathan Woo

Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Matthew Walker Comprehensive Health Center, Inc., which comprise the balance sheets as of January 31, 2022 and 2021, 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Matthew Walker Comprehensive Health Center, Inc., as of January 31, 2022 and 2021, and the results of its operations, changes in net assets, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of Matthew Walker Comprehensive Health Center, Inc., and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Matthew Walker Comprehensive Health Center, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Matthew Walker Comprehensive Health Center, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Matthew Walker Comprehensive Health Center, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of expenditures of federal awards as required by Title 2 U.S. *Code of Federal Regulations* 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 Information

The rosters of management officials and board members and Management's 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 August 1, 2022, on our consideration of 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 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 Matthew Walker Comprehensive Health Center, Inc.'s internal control over financial reporting and compliance.

FORVIS, LLP

Louisville, Kentucky
August 1, 2022

Matthew Walker Comprehensive Health Center, Inc.

Balance Sheets

January 31, 2022 and 2021

Assets

	2022	2021
Current Assets		
Cash and cash equivalents	\$ 3,306,195	\$ 2,613,368
Restricted cash	85,810	-
Patient accounts receivable	1,174,877	1,219,779
Other current receivables	709,497	587,813
Inventories	68,920	73,332
Prepaid expenses	399,885	141,161
	<u>5,745,184</u>	<u>4,635,453</u>
Property, Plant and Equipment, at Cost		
Land and improvements	506,269	506,269
Buildings and improvements	7,346,181	6,794,962
Furniture, equipment and vehicles	6,308,725	6,264,891
	<u>14,161,175</u>	<u>13,566,122</u>
Accumulated depreciation and amortization	<u>(7,472,563)</u>	<u>(7,008,482)</u>
	<u>6,688,612</u>	<u>6,557,640</u>
Total assets	<u>\$ 12,433,796</u>	<u>\$ 11,193,093</u>

Liabilities and Net Assets

Current Liabilities		
Accounts payable	\$ 404,564	\$ 261,787
Current maturities of long-term debt	335,866	271,516
Accrued compensation and related payables	818,719	708,392
Accrued expenses and other liabilities	92,810	65,830
Deferred revenue	16,210	115,457
	<u>1,668,169</u>	<u>1,422,982</u>
Total current liabilities	1,668,169	1,422,982
Long-Term Debt, Net	2,798,030	2,892,977
Interest Rate Swap Agreement	<u>-</u>	<u>93,976</u>
Total liabilities	<u>4,466,199</u>	<u>4,409,935</u>
Net Assets		
Without donor restrictions	7,767,597	6,783,158
With donor restrictions	200,000	-
	<u>7,967,597</u>	<u>6,783,158</u>
Total net assets	<u>7,967,597</u>	<u>6,783,158</u>
Total liabilities and net assets	<u>\$ 12,433,796</u>	<u>\$ 11,193,093</u>

Matthew Walker Comprehensive Health Center, Inc.
Statements of Operations and Changes in Net Assets
Years Ended January 31, 2022 and 2021

	2022	2021
Unrestricted Revenues, Gains and Other Support		
Patient service revenue	\$ 5,715,635	\$ 5,311,636
Government grants and other contracts		
Federal	7,990,643	8,267,049
Other grant revenue	1,229,749	861,343
Contribution revenue	648,486	607,837
Other revenue	10,809	25,896
	<hr/>	<hr/>
Total unrestricted revenues, gains and other support	15,595,322	15,073,761
	<hr/>	<hr/>
Expenses and Losses		
Salaries and wages	7,893,938	7,513,086
Employee benefits	1,650,915	1,240,389
Purchased services and professional fees	683,620	645,273
Supplies	1,044,056	1,027,830
Occupancy	1,343,664	1,386,552
Depreciation	497,872	463,426
Interest	118,528	154,645
Other expenses	1,422,322	997,724
	<hr/>	<hr/>
Total expenses and losses	14,654,915	13,428,925
	<hr/>	<hr/>
Operating Income	940,407	1,644,836
	<hr/>	<hr/>
Other Income (Expense)		
Change in fair value of interest rate swap agreement	44,032	(69,524)
	<hr/>	<hr/>
Total other income (expense)	44,032	(69,524)
	<hr/>	<hr/>
Excess of Revenues over Expenses and Change in Net Assets Without Donor Restrictions	984,439	1,575,312
	<hr/>	<hr/>
Increase in net assets without donor restrictions	984,439	1,575,312
	<hr/>	<hr/>
Change in Net Assets with Donor Restrictions		
Contributions and grant revenue	200,000	-
	<hr/>	<hr/>
Increase in net assets with donor restrictions	200,000	-
	<hr/>	<hr/>
Change in Net Assets	1,184,439	1,575,312
	<hr/>	<hr/>
Net Assets, Beginning of Year	6,783,158	5,207,846
	<hr/>	<hr/>
Net Assets, End of Year	\$ 7,967,597	\$ 6,783,158
	<hr/>	<hr/>

Matthew Walker Comprehensive Health Center, Inc.
Statements of Functional Expenses
Years Ended January 31, 2022 and 2021

	2022				
	Healthcare Services			Support Services	
	Medical	Dental	Pharmacy	General and Administrative	Total
Salaries and wages	\$ 5,197,352	\$ 1,007,871	\$ 239,373	\$ 1,449,342	\$ 7,893,938
Employee benefits	1,110,191	215,414	38,773	286,537	1,650,915
Purchased services and professional fees	442,053	130,106	-	111,461	683,620
Supplies	450,313	147,382	423,986	22,375	1,044,056
Occupancy	551,328	145,659	14,791	631,886	1,343,664
Depreciation	244,867	158,339	848	93,818	497,872
Interest	400	-	-	118,128	118,528
Other expenses	814,118	117,159	18,476	472,569	1,422,322
	<u>\$ 8,810,622</u>	<u>\$ 1,921,930</u>	<u>\$ 736,247</u>	<u>\$ 3,186,116</u>	<u>\$ 14,654,915</u>
	2021				
	Healthcare 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
	<u>\$ 8,170,037</u>	<u>\$ 1,848,930</u>	<u>\$ 519,630</u>	<u>\$ 2,890,328</u>	<u>\$ 13,428,925</u>

Matthew Walker Comprehensive Health Center, Inc.

Statements of Cash Flows

Years Ended January 31, 2022 and 2021

	2022	2021
Operating Activities		
Change in net assets	\$ 1,184,439	\$ 1,575,312
Items not requiring (providing) operating cash flows		
Gain on sale of property and equipment	-	(4,000)
Depreciation	497,872	463,426
Amortization of debt issuance costs	9,044	8,295
Change in fair value of interest rate swap agreement	(44,032)	69,524
Restricted contributions received	(100,000)	-
Changes in		
Patient accounts receivable	44,902	(244,272)
Prepaid expenses and other current receivables	(380,408)	(353,595)
Accounts payable, accrued expenses and other liabilities	42,443	(29,314)
Inventories	4,412	(40,541)
Accrued compensation and related payables	110,327	114,567
Deferred revenue	(99,247)	115,457
Net cash provided by operating activities	1,269,752	1,674,859
Investing Activities		
Purchase of property and equipment	(501,530)	(214,407)
Proceeds from sale of property and equipment	-	4,500
Net cash used in investing activities	(501,530)	(209,907)
Financing Activities		
Payment of deferred financing costs	(24,129)	-
Proceeds from issuance of long-term debt	215,422	-
Payment on termination of interest rate swap agreement	(49,944)	-
Principal payments on long-term debt	(230,934)	(259,761)
Restricted contributions received	100,000	-
Net cash provided by (used in) financing activities	10,415	(259,761)
Increase in Cash, Restricted Cash and Cash Equivalents	778,637	1,205,191
Cash, Restricted Cash and Cash Equivalents, Beginning of Year	2,613,368	1,408,177
Cash, Restricted Cash and Cash Equivalents, End of Year	\$ 3,392,005	\$ 2,613,368
Supplemental Cash Flows Information		
Interest paid	\$ 109,484	\$ 146,350
Property and equipment in accounts payable	\$ 127,314	\$ -
Cash and cash equivalents	\$ 3,306,195	\$ 2,613,368
Restricted cash	85,810	-
Total cash and cash equivalents shown in the statements of cash flows	\$ 3,392,005	\$ 2,613,368

Matthew Walker Comprehensive Health Center, Inc.

Notes to Financial Statements

January 31, 2022 and 2021

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

Nature of Operations

Matthew Walker Comprehensive Health Center, Inc. (Center) is a federally qualified health center, which provides healthcare services to a largely medically underserved population in Nashville, Smyrna and Clarksville, Tennessee. The Center primarily earns revenues by providing physician, dental and related healthcare 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, 2022, the Center's cash accounts exceeded federally insured limits by approximately \$2,992,000.

Restricted Cash

Restricted cash consists of cash held by the Center on behalf of other organizations. The amounts owed to the related organizations are included in accrued expenses and other liabilities in the balance sheets at January 31, 2022 and 2021.

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, 2022 and 2021.

Patient accounts receivable balances were \$1,174, 877 and \$1,219,779 at the end of the year and beginning of the year of January 31, 2022, respectively. 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.

Matthew Walker Comprehensive Health Center, Inc.

Notes to Financial Statements

January 31, 2022 and 2021

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, 2022 and 2021.

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.

Matthew Walker Comprehensive Health Center, Inc.

Notes to Financial Statements

January 31, 2022 and 2021

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 are not subject to donor restrictions.

Net assets with donor restrictions are subject to donor restrictions. Restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor.

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 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.

Matthew Walker Comprehensive Health Center, Inc.

Notes to Financial Statements

January 31, 2022 and 2021

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
<i>Conditional gifts, with or without restriction</i>	
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>i.e.</i> , the donor-imposed barrier is met
<i>Unconditional gifts, with or without restriction</i>	
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.

Matthew Walker Comprehensive Health Center, Inc.

Notes to Financial Statements

January 31, 2022 and 2021

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, 2022 and 2021, \$363,424 and \$339,270, 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.

Matthew Walker Comprehensive Health Center, Inc.

Notes to Financial Statements

January 31, 2022 and 2021

Transfers Between Fair Value Hierarchy Levels

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

Note 2: Grant Revenue

The Center is the recipient of a Consolidated Health Centers (CHC) grant from the HHS. The general purpose of the grants is to provide expanded healthcare service delivery for the medically underserved population in and around Nashville, Smyrna, and Clarksville, 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, 2022 and 2021, the Center recognized \$7,422,983 and \$6,279,563, respectively, in CHC grant revenue. The Center has been authorized for funding in the amount of \$4,344,973 for the grant year ending January 31, 2023. 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, of which \$908,727 was expended in the year ended January 31, 2022. In August 2021, the Center was awarded an additional \$688,947 as part of the *American Rescue Plan Act of 2021* for capital infrastructure, with a budget period of September 2021 through September 2024, of which no amounts were expended in the year ended January 31, 2022.

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 during the year ended January 31, 2021.

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.

Matthew Walker Comprehensive Health Center, Inc.

Notes to Financial Statements

January 31, 2022 and 2021

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.

Matthew Walker Comprehensive Health Center, Inc.

Notes to Financial Statements

January 31, 2022 and 2021

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 healthcare 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 2022 and 2021.

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, 2022 and 2021.

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.

Matthew Walker Comprehensive Health Center, Inc.

Notes to Financial Statements

January 31, 2022 and 2021

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, 2022 and 2021, 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, 2022 and 2021, is as follows:

	2022	2021
Medicare	\$ 664,561	\$ 875,913
Medicaid	2,776,659	2,170,730
Other third-party payors	1,655,364	1,339,975
Self-pay	619,051	925,018
Totals	<u>\$ 5,715,635</u>	<u>\$ 5,311,636</u>

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.

Matthew Walker Comprehensive Health Center, Inc.

Notes to Financial Statements

January 31, 2022 and 2021

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, 2022 and 2021, is:

	2022	2021
Medicare	6%	3%
Medicaid	69%	81%
Other third-party payors	17%	7%
Self-pay	8%	9%
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, 2022 and 2021. It is reasonably possible that this estimate could change materially in the near term.

Note 6: Line of Credit

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

Matthew Walker Comprehensive Health Center, Inc.

Notes to Financial Statements

January 31, 2022 and 2021

Note 7: Long-Term Debt

	2022	2021
Mortgage note payable, bank (A)	\$ 3,125,000	\$ 3,107,263
Capital lease obligations (B)	44,716	77,965
	<u>3,169,716</u>	<u>3,185,228</u>
Less unamortized deferred financing costs	35,820	20,735
Less current maturities	<u>335,866</u>	<u>271,516</u>
	<u>\$ 2,798,030</u>	<u>\$ 2,892,977</u>

(A) Was due July 2023; payable \$28,663 monthly, including interest at the one-month LIBOR, plus 2.85%. In January 2022, the note was amended to extend the maturity to January 2032, with monthly payments of \$26,042 and fixed interest at 3.09%. The note is secured by the real property at the Center's Nashville location. Debt issuance cost of \$24,129 was incurred as a part of the amendment. Unamortized debt issuance costs were \$35,820 and \$20,735 at January 31, 2022 and 2021, 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, 2022 and 2021:

	2022	2021
Equipment	\$ 145,883	\$ 145,883
Accumulated depreciation	<u>(104,044)</u>	<u>(71,420)</u>
	<u>\$ 41,839</u>	<u>\$ 74,463</u>

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.

Matthew Walker Comprehensive Health Center, Inc.

Notes to Financial Statements

January 31, 2022 and 2021

Aggregate annual maturities and sinking fund requirements of long-term debt and payments on capital lease obligations at January 31, 2022, are:

	Long-Term Debt (Exc. Leases)	Capital Lease Obligations
2023	\$ 312,500	\$ 24,816
2024	312,500	21,813
2025	312,500	-
2026	312,500	-
2027	312,500	-
Thereafter	1,562,500	-
	<u>\$ 3,125,000</u>	46,629
Less amount representing interest		<u>1,913</u>
Present value of future minimum lease payments		44,716
Less current maturities		<u>23,366</u>
Noncurrent portion		<u>\$ 21,350</u>

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 provided 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 at January 31, 2021. 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 was recognized on the balance sheets at its fair value. Changes in the fair value of the swap were 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 January 31, 2021. In January 2022, the Center terminated the interest rate swap agreement and made a settlement payment for \$49,944.

Matthew Walker Comprehensive Health Center, Inc.

Notes to Financial Statements

January 31, 2022 and 2021

Note 9: Net Assets

Net Assets with Donor Restrictions

Net assets with donor restrictions at January 31 are restricted for the following purposes:

	2022	2021
Subject to expenditure for specified purpose		
Workforce development	\$ 200,000	\$ -
	<u>\$ 200,000</u>	<u>\$ -</u>

Net Assets Without Donor Restrictions

Net assets without donor restrictions at January 31, 2022 and 2021, are undesignated.

Net Assets Released from Restrictions

Net assets are released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors. No amounts were released from restrictions during the years ended January 31, 2022 and 2021.

Note 10: Liquidity and Availability

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

	2022	2021
Financial assets at year-end		
Cash and cash equivalents	\$ 3,306,195	\$ 2,613,368
Restricted cash	85,810	-
Patient accounts receivable	1,174,877	1,219,779
Other current receivables	<u>709,497</u>	<u>587,813</u>
Total financial assets	5,276,379	4,420,960
Less amounts not available to be used within one year		
Restricted cash held for others	<u>85,810</u>	<u>-</u>
Financial assets available to meet general expenditures within one year	<u>\$ 5,190,569</u>	<u>\$ 4,420,960</u>

Matthew Walker Comprehensive Health Center, Inc.

Notes to Financial Statements

January 31, 2022 and 2021

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.

Note 11: Operating Leases

The Center had several noncancelable 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 \$288,000 and \$226,000 for the years ended January 31, 2022 and 2021, respectively. As all lease agreements are currently under month-to-month renewals, there is no future minimum lease payment requirement at January 31, 2022.

Note 12: 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 \$168,973 and \$136,733 for 2022 and 2021, respectively, and \$210,599 and \$196,187 is accrued as a contribution payable at January 31, 2022 and 2021, respectively.

Note 13: 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

Matthew Walker Comprehensive Health Center, Inc.

Notes to Financial Statements

January 31, 2022 and 2021

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:

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

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, 2022.

Interest Rate Swap Agreement

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

Note 14: 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, 2022, the Center received \$7,990,643 in federal funds, which represents 51% of total support and 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.

Matthew Walker Comprehensive Health Center, Inc.

Notes to Financial Statements

January 31, 2022 and 2021

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 15: 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 healthcare 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 of 2020, 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.

Matthew Walker Comprehensive Health Center, Inc.

Notes to Financial Statements

January 31, 2022 and 2021

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.

During 2022, as part of the *American Rescue Plan Act*, the Center was awarded federal grant awards of \$5,044,125 and \$688,947 for budget periods of April 2021 through March 2023 and September 2021 through September 2024, respectively. The awards have 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, 2022 and 2021, the Center recognized \$103,629 and \$0, respectively, related to the distributions from the Provider Relief Fund and amounts are recorded as government grants in the accompanying statements of operations and changes in net assets.

Matthew Walker Comprehensive Health Center, Inc.

Notes to Financial Statements

January 31, 2022 and 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 16: Subsequent Events

Subsequent events have been evaluated through August 1, 2022, which is the date the financial statements were available to be issued.

Note 17: 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, 2022

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Provided 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	\$ -	\$ 1,976,457
U.S. Department of Health and Human Services/ <i>Affordable Care Act</i> Grants for New and Expanded Services under the Health Center Program/Health Center Program Cluster	93.527	N/A	-	3,805,332
U.S. Department of Health and Human Services/ <i>American Rescue Plan Act</i> Funding for Health Centers/Health Center Program Cluster	93.224	N/A	-	908,727
U.S. Department of Health and Human Services/ COVID-19: Health Center <i>Coronavirus Aid, Relief and Economic Security Act</i> (CARES Act) Funding/Health Center Program Cluster	93.224	N/A	-	403,896
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	-	328,571
Total Health Center Program Cluster			-	7,422,983
U.S. Department of Housing and Urban Development Passed through City of Clarksville, Tennessee: <i>Community Development Block Grant Coronavirus Program</i>	14.218	B-20-MW-47-0002	-	81,120
Total CDBG – Entitlement Grants Cluster			-	81,120
U.S. Department of Health and Human Services/ COVID-19 – Provider Relief Fund	93.498	N/A	-	103,629
U.S. Department of Health and Human Services/ Passed through from Vanderbilt University/ Maternal Child Health Federal Consolidated Programs	93.110	VUMC38771	-	2,717
U.S. Department of Health and Human Services/ Passed through from Metro United Way Metropolitan Nashville/ <i>Ryan White HIV/AIDS Treatment Extension Act of 2009</i>	93.914	X07HA00024	-	55,900
U.S. Department of Health and Human Services/ Passed through State of Tennessee, Department of Mental Health and Substance Abuse Services <i>State Opioid Response - Spoke</i>	93.788	H79T1081708	-	311,387
U.S. Department of Health and Human Services/ Passed through Meharry Medical College <i>Model State Supported AHEC Program</i>	93.107	U77HP03040	-	94,027
U.S. Department of Health and Human Services/ Passed through Meharry Medical College <i>Tennessee COVID-19 Community-Engaged Research Coalition (Lung Diseases Research)</i>	93.838	1OT2HL156812	-	162,118
U.S. Department of Health and Human Services/ Passed through Family and Children's Service <i>Cooperative Agreement to Support Navigators in Federally Facilitated Exchanges</i>	93.332	NAVCA210392	-	17,048
Total expenditures of federal awards			-	8,250,929

The accompanying notes are an integral part of this Schedule

Matthew Walker Comprehensive Health Center, Inc.
Schedule of Expenditures of Federal Awards
and State Financial Assistance (Continued)
Year Ended January 31, 2022

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Provided 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	\$ -	\$ 439,609
Tennessee Department of Health/Breast and Cervical Cancer Early Detection Program	N/A	GR-14-37805-00	-	16,647
Total state financial assistance			-	456,256
Total expenditures of federal awards and state financial assistance			\$ -	\$ 8,707,185

Matthew Walker Comprehensive Health Center, Inc.

Notes to Schedule of Expenditures of Federal Awards

and State Financial Assistance

Year Ended January 31, 2022

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal awards and state financial assistance (Schedule) includes the federal and state award activity of Matthew Walker Comprehensive Health Center, Inc. under programs of the federal and state governments for the year ended January 31, 2022. 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 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 Matthew Walker Comprehensive Health Center, Inc.

Note 2: Summary of Significant Accounting Policies

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.

Note 3: Indirect Cost Rate

Matthew Walker Comprehensive Health Center, Inc. has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

Note 4: Federal Loan Programs

Matthew Walker Comprehensive Health Center, Inc. did not have any federal or state loan programs during the year ended January 31, 2022.

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 Matthew Walker Comprehensive Health Center, Inc., which comprises Matthew Walker Comprehensive Health Center, Inc. balance sheet as of January 31, 2022, 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 August 1, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered 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 Matthew Walker Comprehensive Health Center, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of 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 first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2022-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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

Government Auditing Standards requires the auditor to perform limited procedures on the Matthew Walker Comprehensive Health Center's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Matthew Walker Comprehensive Health Center's response was not subjected to the other auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on the response.

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.

FORVIS, LLP

Louisville, Kentucky
August 1, 2022

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

Opinion on Health Center Program Cluster

We have audited 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 Matthew Walker Comprehensive Health Center, Inc.'s major federal program for the year ended January 31, 2022. 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.

In our opinion, Matthew Walker Comprehensive Health Center, Inc. complied, in all material respects, with the 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, 2022.

Basis for Opinion on Health Center Program Cluster

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). Our responsibilities under those standards and the Uniform Guidance are further described in the "Auditor's Responsibilities for the Audit of Compliance" section of our report.

We are required to be independent of Matthew Walker Comprehensive Health Center, Inc. and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Matthew Walker Comprehensive Health Center, Inc.'s compliance with the compliance requirements referred to above.

Responsibility of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Matthew Walker Comprehensive Health Center, Inc.'s federal programs.

Auditor's Responsibility for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Matthew Walker Comprehensive Health Center, Inc.'s compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Matthew Walker Comprehensive Health Center, Inc.'s compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Matthew Walker Comprehensive Health Center, Inc.'s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Matthew Walker Comprehensive Health Center, Inc.'s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Matthew Walker Comprehensive Health Center, Inc.'s internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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 “Auditor’s Responsibilities for the Audit of Compliance” section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

FORVIS, LLP

Louisville, Kentucky
August 1, 2022

Matthew Walker Comprehensive Health Center, Inc.
Schedule of Findings and Questioned Costs
Year Ended January 31, 2022

Section I – Summary of Auditor’s Results

Financial Statements

1. 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:

☒ **Unmodified** ☐ **Qualified** ☐ **Adverse** ☐ **Disclaimer**

2. Internal control over financial reporting:

Material weakness(es) identified?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Significant deficiency(ies) identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> None reported
Noncompliance material to the financial statements noted?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

Federal Awards

3. Internal control over major federal awards programs:

Material weakness(es) identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Significant deficiency(ies) identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> None reported

4. Type of auditor’s report issued on compliance for the major federal award programs:

☒ **Unmodified** ☐ **Qualified** ☐ **Adverse** ☐ **Disclaimer**

5. Any audit findings disclosed that are required to be reported by 2 CFR 200.516(a)?

☐ **Yes** ☒ **No**

6. Identification of major federal programs:

<u>Assistance Listing Number(s)</u>	<u>Federal Program or Cluster</u>
93.224/93.527	Health Center Program Cluster

7. Dollar threshold used to distinguish between Type A and Type B programs: \$750,000.

8. Auditee qualified as a low-risk auditee?

☒ **Yes** ☐ **No**

Matthew Walker Comprehensive Health Center, Inc.
Schedule of Findings and Questioned Costs (Continued)
Year Ended January 31, 2022

Section II – Financial Statement Findings

Reference Number	Finding
2022-001	<p>Criteria or specific requirement: Management is responsible for establishing and maintaining effective internal control over financial reporting. Management is responsible for the fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America.</p> <p>Condition: Material adjusting entries related to deferred revenue and contribution revenues were recorded.</p> <p>Effect: Potential material misstatements in the financial statements could occur and not be prevented or detected in a timely manner.</p> <p>Cause: Management’s analysis was revised primarily as a result of audit procedures performed and review of agreements.</p> <p>Recommendation: Management should continue to review these agreements and recognition of revenue throughout the year.</p> <p>Views of responsible officials and planned corrective actions: By January 31, 2022, the Center will establish an internal grant discussion meeting between executive management including both the chief executive officer and chief financial officer. The meeting will focus on several components determining the conditions of the grant; understand the intent of the grant; the expenses that should be applied to the grant; the location and/or service line of the grant; and documentation that is required during and after the grant term. During these meetings, an update on each grant – the amount awarded, amount received, the amount recognized as revenue or deferred, and other pertinent information will be reviewed and compared to the Center’s policies.</p>

Section III – Federal Award Findings and Questioned Costs

Reference Number	Finding
	No matters are reportable.

Matthew Walker Comprehensive Health Center, Inc.
Summary Schedule of Prior Audit Findings
Year Ended January 31, 2022

Reference Number	Summary of Finding	Status
2019-002, 2020-001 and 2021-001	<p>There is lack of appropriate segregation of duties in certain financial reporting processes. The fiscal years 2019, 2020 and 2021 findings were documented in the schedule of findings and questioned costs that were issued September 23, 2019, August 24, 2020 and June 24, 2021, respectively.</p> <p>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.</p>	Resolved

Matthew Walker Comprehensive Health Center, Inc.
Management's Corrective Action Plan
Year Ended January 31, 2022



MATTHEW WALKER
Comprehensive Health Center, Inc.

August 1, 2022

RE: Matthew Walker Comprehensive Health Center, Inc. – January 31, 2022 Corrective Action Plan

To Whom It May Concern,

Please see below our response for the audit finding from the 2021-22 audit.

FINDINGS: FINANCIAL STATEMENT AUDIT

Finding No. 2022-001 Material adjusting entries related to deferred revenue and contribution revenues were recorded.

Corrective Action: The Center will establish an internal grant discussion meeting between executive management including both the chief executive officer and chief financial officer.

Contact Person: Melanie Sterbenc
Expected Implementation: January 31, 2022

Sincerely,

Melanie Sterbenc

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