

HOPE FAMILY HEALTH SERVICES, INC.

Financial Statements

December 31, 2016 and 2015

(With Independent Auditor's Report Thereon)

HOPE FAMILY HEALTH SERVICES, INC.

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Independent Auditor's Report

The Governing Board
HOPE Family Health Services, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of HOPE Family Health Services, Inc. (the Organization) which comprise the statement of financial position as of December 31, 2016 and 2015, and the related statements of activities, 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 HOPE Family Health Services, Inc. as of December 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 9, 2017 on our consideration of HOPE Family Health Services, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* considering HOPE Family Health Services, Inc.'s internal control over financial reporting and compliance.

A handwritten signature in dark ink, reading "Jany Hame CPA". The signature is written in a cursive style with a large initial "J".

Lebanon, TN

June 9, 2017

Hope Family Health Services, Inc.
Statement of Financial Position
December 31, 2016 and 2015

ASSETS

	<u>2016</u>	<u>2015</u>
<i>Current Assets</i>		
Cash and Cash Equivalents	\$ 147,794	\$ 187,130
Accounts Receivable Net (Note 4)	136,415	67,158
Other Receivables	32,541	63,542
Inventory	56,808	-
Prepaid Expenses	9,318	805
<i>Total Current Assets</i>	<u>382,876</u>	<u>318,635</u>
<i>Property and Equipment</i>		
Property and Equipment, at Cost,		
Net of Accumulated Depreciation (Note 5)	<u>546,745</u>	<u>356,085</u>
<i>Total Property and Equipment</i>	<u>546,745</u>	<u>356,085</u>
<i>Other Assets</i>		
Cash - USDA Escrow	<u>2,875</u>	<u>1,375</u>
<i>Total Other Assets</i>	<u>2,875</u>	<u>1,375</u>
Total Assets	<u>\$ 932,496</u>	<u>\$ 676,095</u>

LIABILITIES AND NET ASSETS

<i>Current Liabilities</i>		
Accounts Payable	\$ 30,050	\$ 47,036
Accrued Compensated Absences	47,102	26,774
Accrued Payroll Liabilities	112,690	53,696
Line of Credit	66,311	50,569
Current Portion of Long Term Capital Leases	45,728	-
Current Portion of Long Term Debt	<u>6,098</u>	<u>25,765</u>
<i>Total Current Liabilities</i>	<u>307,979</u>	<u>203,840</u>
<i>Long-Term Liabilities</i>		
Insurance Repayments (Note 6)	2,396	70,563
Note Payable (Note 7)	303,283	306,838
Capital Leases Payable (Note 8)	155,199	-
Less Current Portion of Long Term Capital Leases	(45,728)	-
Less Current Portion of Long Term Debt	<u>(6,098)</u>	<u>(25,765)</u>
<i>Total Long-Term Liabilities</i>	<u>409,052</u>	<u>351,636</u>
Total Liabilities	717,031	555,476
Net Assets		
Net Assets - Unrestricted	212,590	119,244
Net Assets - Restricted	<u>2,875</u>	<u>1,375</u>
<i>Total Net Assets</i>	<u>215,465</u>	<u>120,619</u>
Total Liabilities and Net Assets	<u>\$ 932,496</u>	<u>\$ 676,095</u>

The accompanying notes are an integral part of this financial statement.

Hope Family Health Services, Inc.
Statement of Activities
For the Years Ended December 31, 2016 and 2015

Support and Revenues:

	<u>2016</u>	<u>2015</u>
Public Support - U.S. Department of Health and Human Services Operational Grants (Note 10)	\$ 1,744,476	\$ 1,216,357
Net Patient Revenue (Note 11)	1,233,156	634,141
Other Grants and Contracts	451,412	406,503
Contributions	23,493	28,010
Medical Records and Other Income	44,120	4,627
<i>Total Support and Revenues</i>	<u>3,496,657</u>	<u>2,289,638</u>

Expenses:

Program Services Expenses	2,327,116	1,425,003
General and Administrative Expenses	1,074,695	720,882
<i>Total Expenses</i>	<u>3,401,811</u>	<u>2,145,885</u>

***Total Excess (Deficiency) of Support and
Revenues Over Expenses***

<u>94,846</u>	<u>143,753</u>
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Net Assets:

Increase (Decrease) in Unrestricted Net Assets	93,346	142,378
Increase (Decrease) in Temporarily Restricted Net Assets	1,500	1,375
Beginning of Year	120,619	(23,134)

Net Assets at End of Year

<u><u>\$ 215,465</u></u>	<u><u>\$ 120,619</u></u>
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The accompanying notes are an integral part of this financial statement.

Hope Family Health Services, Inc.
Statement of Functional Expenses
For the Years Ended December 31, 2016 and 2015

	Program Services	General and Administrative	2016 Total	2015 Total
Personnel	\$ 1,470,942	\$ 471,541	\$ 1,942,483	\$ 1,324,695
Fringe Benefits	255,867	82,024	337,891	107,271
Contractual Services	103,167	239,954	343,121	207,447
Supplies	244,868	93,301	338,169	159,354
Travel and Training	35,828	27,961	63,789	24,980
Insurance	4,269	13,338	17,607	16,896
Telephone and Postage	37,196	9,299	46,495	34,039
Utilities	31,679	7,920	39,599	31,708
Depreciation	28,958	7,240	36,198	26,631
Building and Equipment Rent	72,691	18,173	90,864	79,685
Repairs and Maintenance	20,142	5,036	25,178	16,959
Dues, Printing, and Other	7,803	95,483	103,286	88,410
Interest Expense	13,705	3,426	17,131	27,810
Total	\$ 2,327,116	\$ 1,074,695	\$ 3,401,811	\$ 2,145,885

The accompanying notes are an integral part of this financial statement.

Hope Family Health Services, Inc.
Statement of Cash Flows
For the Years Ended December 31, 2016 and 2015

Cash Flows from Operating Activities:

	<u>2016</u>	<u>2015</u>
Excess (Deficiency) of Support and Revenues Over Expenses	\$ 94,846	\$ 143,753
Revenues Over Expenses		
<i>Adjustments to Reconcile Net Income to</i>		
<i>to Cash Provided From Operations:</i>		
Depreciation	36,198	26,631
(Increase) Decrease in Accounts Receivable	(69,257)	(10,955)
(Increase) Decrease in Other Receivable	31,001	(42,051)
(Increase) Decrease in Inventory	(56,808)	-
(Increase) Decrease in Prepaid Items	(8,513)	59,711
(Increase) Decrease in Other Assets	(1,500)	(1,375)
Increase (Decrease) in Accounts Payable	(16,986)	(21,778)
Increase (Decrease) in Accrued Leave and Payroll Liabilities	79,322	21,927
Increase (Decrease) in Insurance Repayments	(68,167)	(19,847)
Increase (Decrease) in Line of Credit	15,742	(4,184)
Net Cash Provided by Operating Activities:	<u>35,878</u>	<u>151,832</u>

Cash Flows Used in Investing Activities:

Purchases of Property, Plant and Equipment	(226,858)	(320,268)
Cash Used in Investing Activities	<u>(226,858)</u>	<u>(320,268)</u>

Cash Flows Provided by Financing Activities:

Increase (Decrease) in Capital Leases	155,199	-
Increase (Decrease) in Notes Payable	(3,555)	251,838
Cash Provided by financing Activities	<u>151,644</u>	<u>251,838</u>
Net Increase (Decrease) in Cash	<u>(39,336)</u>	<u>83,402</u>
Cash at Beginning of The Year	187,130	103,728
Cash at End of The Year	<u>\$ 147,794</u>	<u>\$ 187,130</u>

Supplemental Data:

Interest Paid in Financing Activities	17,131	27,810
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The accompanying notes are an integral part of this financial statement.

HOPE FAMILY HEALTH SERVICES, INC.

Notes to Financial Statements

December 31, 2016 and 2015

(1) Summary of Significant Accounting Policies

The financial statements of HOPE Family Health Services, Inc. have been prepared on accrual basis. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

(a) Nature of The Business

HOPE Family Health Services, Inc. is a not-for-profit corporation organized under the laws of the State of Tennessee, which provides outpatient health care services. Funding is obtained from a federal grant from the U. S. Department of Health and Human Services, reimbursements from Medicare, Medicaid, private insurance, and payments from patients.

(b) Financial Statement Presentation

The Organization presents its financial statements in accordance with Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations* as promulgated by the Financial Accounting Standards Board. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, as required by SFAS No. 117, the Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

(c) Cash and Cash Equivalents

Cash and cash equivalents consist of cash held in checking and money market accounts and certificates of deposit with maturities of 90 days or less.

(d) Accounts Receivable

Included in patient receivables are amounts due from Medicare and Medicaid. These payments are generally less than established billing rates, the difference being charged against revenue as revenue adjustments at the time the fee for service is recorded. Amounts from these agencies are determined under cost reimbursement formulas and re-determination by the agencies. Accounts receivables from patient fees, other than the above, may be reduced using a sliding fee scale due to a patient's inability to pay. These adjustments are based on income level and number of family members applied to the Federal poverty guidelines.

HOPE FAMILY HEALTH SERVICES, INC.

Notes to Financial Statements

December 31, 2016 and 2015

(e) Property and Equipment

Property and equipment acquired with DHHS funds are considered owned by the Organization while used in the program or in future authorized programs. However, DHHS retains a reversionary interest in these assets as well as the right to determine the use of any proceeds from the sale of such assets. Accordingly, the Organization may not transfer, mortgage, assign, lease or in any other manner encumber certain property items without the prior approval of DHHS.

Property and equipment are depreciated on the straight-line method over estimated useful lives of the assets.

(f) Income Taxes

The Organization is a non-profit corporation as described in Section 501c (3) of the Internal Revenue Code and is exempt from Federal income taxes on related income pursuant to Section 501 (1) of the Code. As of the date of this report the current and two most recent prior years are available for IRS audit.

(g) Contributions

In accordance with SFAS No. 116, *Accounting for Contributions Received and Contributions Made*, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities. Contributed property and equipment is recorded at fair value at the date of donation.

(h) Estimated Amounts

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

(i) Concentration of Credit and Market Risk

Financial instruments that potentially expose the Organization to concentrations of credit and market risk consist primarily of cash equivalents and investments. Cash equivalents are maintained at high-quality financial institutions and credit exposure is limited at any one institution.

HOPE FAMILY HEALTH SERVICES, INC.

Notes to Financial Statements

December 31, 2016 and 2015

(j) Expense Allocation

Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of salaries, square footage, etc. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

(k) Recognition of Grant Income

Grant income is recognized over the grant period in relation to the expenditures incurred and services provided, as outlined in the grant documents. Cash received in excess of grant expenditures to date is recorded as deferred revenue, and a receivable is recorded when allowable expenditures exceed cash received.

(2) Fair Value of Financial Instruments

- A. Cash – The carrying amount reported is the reconciled bank account balances, which are considered to be fair values.
- B. Accounts Receivable – The carrying amount reported is the estimated net collectible amount, which is considered the fair value.
- C. Accounts Payable and Other Liabilities – The carrying amounts reported are the amounts equaled to the required payments. The reported amounts are considered the fair values.

(3) Cash and Cash Equivalents

Cash, as presented in the statement of cash flows, consist of amounts on hand and in demand bank accounts without restricted access. The carrying amount of the Organization's cash accounts as of December 31, 2016 was \$150,669 (\$147,794 operating and \$ 2,875 USDA escrow) and the bank balances totaled \$237,896. As of December 31, 2016, all bank deposits were insured by Federal Deposit Insurance Coverage.

(4) Accounts Receivable

Included in patient receivables are amounts due from the patient, Medicare, Medicaid, and private insurance companies. These payments are generally less than established billing rates, the difference being recorded as revenue adjustments.

Accounts receivable balances as of December 31, 2016 and 2015 are:	<u>2016</u>	<u>2015</u>
Patients Fees	\$ 393,253	\$215,087
Less Allowance for Uncollectible Accounts	<u>(256,838)</u>	<u>(147,929)</u>
Accounts Receivable, Net	<u>\$ 136,415</u>	<u>\$ 67,158</u>

HOPE FAMILY HEALTH SERVICES, INC.

Notes to Financial Statements

December 31, 2016 and 2015

(5) Property and Equipment

A summary of property and equipment at December 31, 2016 and 2015 is as follows:

	<u>2016</u>	<u>2015</u>
Building and improvements	\$ 339,810	\$ 313,857
Furniture and equipment	<u>394,272</u>	<u>193,366</u>
	734,082	507,224
Less accumulated depreciation	<u>(187,337)</u>	<u>(151,139)</u>
Property and equipment, net	<u>\$ 546,745</u>	<u>\$356,085</u>

Property and equipment is depreciable on a straight line basis over the estimated useful life. The depreciation for the fiscal year ended December 31, 2016 and 2015 was \$36,198 and \$26,631.

(6) Insurance Repayments

The Organization has established repayment agreements to repay insurance, Medicaid and Medicare overpayments received in prior years. As of December 31, 2016 and 2015 the balance of this liability is \$2,396 and \$70,563 respectively.

(7) Debt Obligations

The Organization has a note with USDA/Rural Development with a principal of \$310,000 dated February 22, 2015. This note is being repaid in monthly installments of \$1,250, accrues interest at a rate of 3.75% and is collateralized by the Westside building. As of December 31, 2016, this note has a balance of \$303,283.

The minimum obligations on the above notes for the next five years are as follows:

<u>Year Ending</u>	<u>Amount</u>
December 31, 2017	\$ 3,702
December 31, 2018	3,843
December 31, 2019	3,990
December 31, 2020	4,142
December 31, 2021	4,286
Thereafter	<u>283,320</u>
Total Due	<u>\$303,283</u>

In addition, the Organization is required under USDA loan agreement to deposit ten-percent (10%) of the annual installments due into an escrow account. As of December 31, 2016 the minimum required balance held in an escrow account was \$2,875.

HOPE FAMILY HEALTH SERVICES, INC.

Notes to Financial Statements

December 31, 2016 and 2015

(8) Capital Leases

The Organization has a capital lease with ScriptPro for pharmacy equipment requiring monthly payments of \$3,497. This lease matures on May 7, 2020 and has a balance of \$155,199 as of December 31, 2016.

The following is a schedule of the future minimum lease payments under this capital lease, together with the present value of the future minimum lease payments as of December 31, 2016:

<u>Year Ending</u>	
December 31, 2017	\$ 41,964
December 31, 2018	41,964
December 31, 2019	41,964
Lease payments due thereafter	<u>29,307</u>
Total Minimum Lease Payments	155,199
Less Amount Representing Interest	<u>(-)</u>
Total capital lease obligations	<u>\$155,199</u>

(9) Lease Payable

The Organization has a five year lease which began on May 1, 2015 for the Westmoreland medical site. This lease requires monthly payments of \$4,000.

Future lease payments required under the above obligation as of December 31, 2016 is as follows:

<u>Years Ending December 31</u>	
2017	\$48,000
2018	48,000
2019	48,000
2020	16,000
Thereafter	<u>-</u>
Total Due	<u>\$160,000</u>

HOPE FAMILY HEALTH SERVICES, INC.

Notes to Financial Statements

December 31, 2016 and 2015

(10) Federal Grant Support

The Organization received grants from the U.S. Department of Health and Human Services of \$1,744,476 and \$1,216,357 of which all was obligated for the fiscal year ended December 31, 2016 and 2015. Under the terms of these grants the Organization is required to comply with certain federal and state guidelines and the grantor retains a residual interest in assets acquired with grant funds.

(11) Net Patient Revenue

Patient service revenue is recorded at amounts that the Organization anticipates collecting from Medicare, Medicaid, insurance, or individuals less a provision for uncollectible accounts. The rates charged to individuals are determined by an income discount scale that is based on the Federal poverty level guidelines. A summary of the net patient service revenue is as follows:

	<u>2016</u>	<u>2015</u>
Gross charges and cost settlements	\$2,299,693	\$1,487,968
Less revenue adjustments	<u>(1,066,537)</u>	<u>(853,827)</u>
Total net revenue	<u>\$1,233,156</u>	<u>\$634,141</u>

(12) Charity Care

The Organization provides medical services to patients who qualify under federal guidelines and other corporate policies of the Organization at fees less than established rates. The amount of charity care is reduced from the amount of fees for services presented in the statement of activities. The charity amount calculation is based on the Organization's standard billing rates for services provided. These fees approximate the total cost of providing charity care. The amount of charity care for the years ended December 31, 2016 and 2015 was \$192,441 and \$234,677 respectively.

(13) Significant Source of Revenue

Approximately 50% of the Organization's revenue was provided by grants from the U.S. Department of Health and Human Services.

(14) Subsequent Events

Management has evaluated the events and transactions subsequent to the statement of financial position through the date of the auditor's report (the date the financial statements were available to be issued) for potential recognition or disclosure in the financial statements. Management has not identified any items requiring recognition or disclosure.

SUPPLEMENTAL SCHEDULES

HOPE FAMILY HEALTH SERVICES, INC.

Schedule of Expenditures of Federal Awards

For the Year Ended December 31, 2016

<u>Grantor/Pass-Through Grantor Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
<u>U.S. Department of Health and Human Services</u>		
Health Center Cluster Affordable Care Act-Grants for Expanded Service Under Health Center Program <i>Grant No. H80CS 24109</i>	93.527	<u>\$1,744,476</u>
Total Federal Grants		<u>\$1,744,476</u>

Note to Schedule of Expenditures of Federal Awards

Note A- Basis of Presentation

The accompanying schedule of federal awards includes the federal grant activity of HOPE Family Health Services, Inc. and is presented in the accrual basis of accounting. 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*.. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

HOPE FAMILY HEALTH SERVICES, INC.

Schedule of Findings and Questioned Costs

For the Year Ended December 31, 2016

Section A-Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:

Unmodified

Significant Deficiency disclosed?

_____yes___X___no

Significant Deficiencies reported
as Material Weaknesses?

_____yes___X___no

Noncompliance material to financial statements noted?

_____yes___X___no

Federal Awards

Internal Control over major programs:

Significant Deficiency identified?

_____yes___X___no

Significant deficiencies reported
as Material Weaknesses?

_____yes___X___no

Type of auditor's report issued on compliance
for major programs:

Unmodified

Any audit findings disclosed that are required
to be reported in accordance with 2 CFR
200.516(a)?

_____yes___X___no

Identification of major programs:

CFDA Number

Name of Federal Program

93.527

Health Center Cluster
Affordable Care Act-Grants for
Expanded Service Under Health
Center Program

Dollar threshold used to distinguish
between Type A and Type B programs:

\$750,000

Auditee qualified as low-risk auditee?

_____yes___X___no

HOPE FAMILY HEALTH SERVICES, INC.

Schedule of Findings and Questioned Costs

For the Year Ended December 31, 2016

Section B- Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, fraud, noncompliance with provisions of laws, regulations, contracts, and grant agreements, and abuse related to the financial statements for which Government Auditing Standards requires reporting.

None

Section C-Federal Award Findings and Questioned Costs

This section identifies the audit findings required to be reported by 2 CFR 200.516(a), significant deficiencies, material weaknesses, material instances of noncompliance, including questioned costs, and material abuse.

None

Questioned Costs: None Reported



TERRY L. HORNE, CPA

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

Independent Auditor's Report

The Governing Board
HOPE Family Health Services, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of HOPE Family Health Services, Inc. which comprise the statement of financial position as of December 31, 2016, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 9, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered HOPE Family Health Services, Inc. internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of HOPE Family Health Services, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of HOPE Family Health Services, 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. Given these limitations, **during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.** However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether HOPE Family Health Services, 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*.**

We noted certain matters that we reported to management of HOPE Family Health Services, Inc. in a separate letter dated June 9, 2017.

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.

A handwritten signature in black ink that reads "Jenny Hume CPA". The signature is written in a cursive, flowing style.

Lebanon, TN

June 9, 2017



TERRY L. HORNE, CPA

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Report on Compliance for Each Major Federal Program; Report on Internal Control
Over Compliance And Report Required by the Uniform Guidance

Independent Auditor's Report

The Governing Board
HOPE Family Health Services, Inc.

Report on Compliance for Each Major Federal Program

We have audited HOPE Family Health Services, Inc.'s compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of HOPE Family Health Services, Inc.'s major federal programs for the year ended December 31, 2016. HOPE Family Health Services, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of HOPE Family Health Services, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 HOPE Family Health Services, 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 each major federal program. However, our audit does not provide a legal determination of HOPE Family Health Services, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, HOPE Family Health Services, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2016.

Report on Internal Control Over Compliance

Management of HOPE Family Health Services, 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 HOPE Family Health Services, 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 an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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 HOPE Family Health Services, 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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Lebanon, TN
June 9, 2017

HOPE FAMILY HEALTH SERVICES, INC.

Summary Schedule of Prior Year Audit Findings

December 31, 2016

There were no findings in the prior year audit. However, there were certain matters involving internal controls that were reported to the management of HOPE Family Health Services, Inc. in a separate letter. These matters were reviewed and it was determined that the necessary corrective action had been taken to improve these related controls.