



Matthew Walker Comprehensive Health Center, Inc.

**Independent Auditor's Reports, Financial Statements
and Supplementary Information**

January 31, 2023 and 2022



Matthew Walker Comprehensive Health Center, Inc.
January 31, 2023 and 2022

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Matthew Walker Comprehensive Health Center, Inc.
Rosters of Management Officials and Board Members
January 31, 2023 and 2022

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

Marvin Evans, Chair
Alexandria Murphy, Vice Chair
Cheryl Jones, Treasurer
Tanya Washington, Secretary
Jeff Teague
Theodore Jones
Corey McMahan
Jerron Barnes
Sandra Long Weaver
Rene Llamas
Ronda Webb-Stewart
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, 2023 and 2022, 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, 2023 and 2022, 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.

Emphasis of Matter

As described in Note 14 to the financial statements, in 2023, the Center adopted Accounting Standards Update 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. Our opinion is not modified with respect to this matter.

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

Management is responsible for the other information included in the financial statements. The other information comprises the rosters of management officials and board members and Management's Corrective Action Plan but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 18, 2023, 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 18, 2023

Matthew Walker Comprehensive Health Center, Inc.

Balance Sheets

January 31, 2023 and 2022

Assets

	2023	2022
Current Assets		
Cash and cash equivalents	\$ 2,161,316	\$ 3,306,195
Restricted cash	63,190	85,810
Patient accounts receivable	1,523,228	1,174,877
Other current receivables	734,577	709,497
Inventories	84,233	68,920
Prepaid expenses	417,963	399,885
Total current assets	4,984,507	5,745,184
Property, Plant and Equipment, at Cost		
Land and improvements	506,269	506,269
Buildings and improvements	7,391,435	7,346,181
Furniture, equipment and vehicles	6,331,831	6,308,725
	14,229,535	14,161,175
Accumulated depreciation and amortization	(7,685,545)	(7,472,563)
	6,543,990	6,688,612
Total assets	\$ 11,528,497	\$ 12,433,796

Liabilities and Net Assets

Current Liabilities		
Accounts payable	\$ 399,817	\$ 404,564
Current portion of long-term debt	312,500	335,866
Current portion of finance lease liabilities	21,350	-
Accrued compensation and related payables	992,880	818,719
Accrued expenses and other liabilities	112,938	92,810
Deferred revenue	13,559	16,210
Total current liabilities	1,853,044	1,668,169
Long-Term Debt, Net	2,466,775	2,798,030
Total liabilities	4,319,819	4,466,199
Net Assets		
Without donor restrictions	7,008,678	7,767,597
With donor restrictions	200,000	200,000
Total net assets	7,208,678	7,967,597
Total liabilities and net assets	\$ 11,528,497	\$ 12,433,796

Matthew Walker Comprehensive Health Center, Inc.
Statements of Operations and Changes in Net Assets
Years Ended January 31, 2023 and 2022

	2023	2022
Unrestricted Revenues, Gains and Other Support		
Patient service revenue	\$ 4,610,775	\$ 5,715,635
Government grants and other contracts		
Federal	9,239,586	7,990,643
Other grant revenue	1,862,438	1,229,749
Contribution of cash and other financial assets	191,775	285,062
Contribution of nonfinancial assets	42,754	363,424
Other revenue	50,278	10,809
	<hr/>	<hr/>
Total unrestricted revenues, gains and other support	15,997,606	15,595,322
	<hr/>	<hr/>
Expenses and Losses		
Salaries and wages	9,750,228	7,893,938
Employee benefits	1,873,699	1,650,915
Purchased services and professional fees	684,445	683,620
Supplies	733,918	1,044,056
Occupancy	1,455,294	1,343,664
Depreciation	535,618	497,872
Interest	103,533	118,528
Other expenses	1,619,790	1,422,322
	<hr/>	<hr/>
Total expenses and losses	16,756,525	14,654,915
	<hr/>	<hr/>
Operating Income (Loss)	(758,919)	940,407
	<hr/>	<hr/>
Other Income		
Change in fair value of interest rate swap agreement	-	44,032
	<hr/>	<hr/>
Total other income	-	44,032
	<hr/>	<hr/>
Excess (Deficiency) of Revenues over Expenses and Change in Net Assets Without Donor Restrictions	(758,919)	984,439
	<hr/>	<hr/>
Increase (decrease) in net assets without donor restrictions	(758,919)	984,439
	<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	(758,919)	1,184,439
	<hr/>	<hr/>
Net Assets, Beginning of Year	7,967,597	6,783,158
	<hr/>	<hr/>
Net Assets, End of Year	\$ 7,208,678	\$ 7,967,597
	<hr/> <hr/>	<hr/> <hr/>

Matthew Walker Comprehensive Health Center, Inc.
Statements of Functional Expenses
Years Ended January 31, 2023 and 2022

	2023				
	Healthcare Services			Support Services	
	Medical	Dental	Pharmacy	General and Administrative	Total
Salaries and wages	\$ 6,502,642	\$ 1,337,988	\$ 263,079	\$ 1,646,519	\$ 9,750,228
Employee benefits	1,214,553	268,254	42,704	348,188	1,873,699
Purchased services and professional fees	382,657	104,160	-	197,628	684,445
Supplies	467,777	136,532	101,696	27,913	733,918
Occupancy	582,829	143,973	14,844	713,648	1,455,294
Depreciation	293,064	175,779	2,080	64,695	535,618
Interest	3	-	-	103,530	103,533
Other expenses	897,788	103,690	9,991	608,321	1,619,790
	<u>\$ 10,341,313</u>	<u>\$ 2,270,376</u>	<u>\$ 434,394</u>	<u>\$ 3,710,442</u>	<u>\$ 16,756,525</u>
	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>

Matthew Walker Comprehensive Health Center, Inc.

Statements of Cash Flows

Years Ended January 31, 2023 and 2022

	2023	2022
Operating Activities		
Change in net assets	\$ (758,919)	\$ 1,184,439
Items not requiring (providing) operating cash flows		
Gain on sale of property and equipment	(41,056)	-
Depreciation	535,618	497,872
Amortization of debt issuance costs	2,595	9,044
Change in fair value of interest rate swap agreement	-	(44,032)
Restricted contributions received	-	(100,000)
Changes in		
Patient accounts receivable	(348,351)	44,902
Prepaid expenses and other current receivables	(43,158)	(380,408)
Accounts payable, accrued expenses and other liabilities	142,695	42,443
Inventories	(15,313)	4,412
Accrued compensation and related payables	174,161	110,327
Deferred revenue	(2,651)	(99,247)
Net cash provided by (used in) operating activities	(354,379)	1,269,752
Investing Activities		
Purchase of property and equipment	(521,254)	(501,530)
Proceeds from sale of property and equipment	44,000	-
Net cash used in investing activities	(477,254)	(501,530)
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	(312,500)	(230,934)
Payments on finance lease liabilities	(23,366)	-
Restricted contributions received	-	100,000
Net cash provided by (used in) financing activities	(335,866)	10,415
Increase (Decrease) in Cash, Restricted Cash and Cash Equivalents	(1,167,499)	778,637
Cash, Restricted Cash and Cash Equivalents, Beginning of Year	3,392,005	2,613,368
Cash, Restricted Cash and Cash Equivalents, End of Year	\$ 2,224,506	\$ 3,392,005
Supplemental Cash Flows Information		
Interest paid	\$ 100,938	\$ 109,484
Property and equipment in accounts payable	\$ -	\$ 127,314
Cash and cash equivalents	\$ 2,161,316	\$ 3,306,195
Restricted cash	63,190	85,810
Total cash and cash equivalents shown in the statements of cash flows	\$ 2,224,506	\$ 3,392,005

Matthew Walker Comprehensive Health Center, Inc.

Notes to Financial Statements

January 31, 2023 and 2022

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 (FQHC), 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, 2023, the Center's cash accounts exceeded federally insured limits by approximately \$1,695,000.

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, 2023 and 2022.

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, 2023 and 2022.

Patient accounts receivable balances were \$1,523,228 and \$1,174, 877 at the end of the year and beginning of the year of January 31, 2023, respectively. 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.

Matthew Walker Comprehensive Health Center, Inc.

Notes to Financial Statements

January 31, 2023 and 2022

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/finance leases 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, 2023 and 2022.

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, 2023 and 2022

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, 2023 and 2022

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.

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.

Matthew Walker Comprehensive Health Center, Inc.

Notes to Financial Statements

January 31, 2023 and 2022

Contributed Nonfinancial Assets

For the years ended January 31, 2023 and 2022, contributed nonfinancial assets recognized within the statement of operations and changes in net assets include pharmaceutical supplies from various donors. It is the policy of the Center to record the estimated fair value of the nonfinancial assets as an expense in its financial statements, and similarly increase the nonfinancial contribution revenue by the same amount. For the years ended January 31, 2023 and 2022, \$42,754 and \$363,424, respectively, were received as nonfinancial asset contributions. Contributed nonfinancial assets did not have donor-imposed restrictions.

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.

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, 2023 and 2022, the Center recognized \$8,622,076 and \$7,422,983, respectively, in CHC grant revenue. The Center has been authorized for funding in the amount of

Matthew Walker Comprehensive Health Center, Inc.

Notes to Financial Statements

January 31, 2023 and 2022

\$1,475,824 for the grant year ending January 31, 2024. In March 2021 and August 2022, the Center was awarded an additional \$5,044,125 and \$65,500, respectively, as part of the *American Rescue Plan Act of 2021*, with a budget period of April 2021 through March 2023, of which \$2,321,690 and \$908,727 was expended in the years ended January 31, 2023 and 2022, respectively. 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 \$248,210 and \$0 was expended in the years ended January 31, 2023 and 2022, respectively.

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.

Note 3: Patient Service Revenue

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

Performance Obligations

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

Transaction Price

The Center determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with the Center's policy and implicit price concessions provided to uninsured patients. The Center determines its estimates of contractual adjustments and discounts

Matthew Walker Comprehensive Health Center, Inc.

Notes to Financial Statements

January 31, 2023 and 2022

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

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

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

Laws and regulations concerning government programs, including Medicare and Medicaid, are complex and subject to varying interpretation. As a result of investigations by governmental agencies, various 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 2023 and 2022.

Matthew Walker Comprehensive Health Center, Inc.

Notes to Financial Statements

January 31, 2023 and 2022

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, 2023 and 2022.

Patient and Uninsured Payors

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

Generally, patients who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. As required by Section 330 of the *Public Health Service Act* (42 U.S.C. §254b), the Center also has established a sliding fee discount program and offers low-income patients a sliding fee discount from standard charges. The Center estimates the transaction price for patients with deductibles and coinsurance and from those who are uninsured based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, sliding fee discounts and implicit price concessions based on historical collection experience. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient service revenue in the period of the change. For the years ended January 31, 2023 and 2022, 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.)

Matthew Walker Comprehensive Health Center, Inc.

Notes to Financial Statements

January 31, 2023 and 2022

The composition of patient service revenue by payor for the years ended January 31, 2023 and 2022, is as follows:

	2023	2022
Medicare	\$ 470,346	\$ 664,561
Medicaid	2,392,704	2,776,659
Other third-party payors	1,233,301	1,655,364
Self-pay	514,424	619,051
Totals	<u>\$ 4,610,775</u>	<u>\$ 5,715,635</u>

Financing Component

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

Contract Costs

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

Note 4: Concentration of Credit Risk

The Center grants credit without collateral to its patients, most of whom are area residents and are insured under third-party payor agreements. The mix of net receivables from patients and third-party payors at January 31, 2023 and 2022, is:

	2023	2022
Medicare	4%	6%
Medicaid	74%	69%
Other third-party payors	12%	17%
Self-pay	10%	8%
Totals	<u>100%</u>	<u>100%</u>

Matthew Walker Comprehensive Health Center, Inc.

Notes to Financial Statements

January 31, 2023 and 2022

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, 2023 and 2022. It is reasonably possible that this estimate could change materially in the near term.

Note 6: Long-Term Debt

	2023	2022
Mortgage note payable, bank (A)	\$ 2,812,500	\$ 3,125,000
Capital lease obligations (B)	-	44,716
	<u>2,812,500</u>	<u>3,169,716</u>
Less unamortized deferred financing costs	33,225	35,820
Less current maturities	<u>312,500</u>	<u>335,866</u>
	<u>\$ 2,466,775</u>	<u>\$ 2,798,030</u>

(A) Due January 2032; payable \$26,042 monthly, including fixed interest at 3.09%. The note is secured by the real property at the Center's Nashville location. Unamortized debt issuance costs were \$33,225 and \$35,820 at January 31, 2023 and 2022, respectively.

(B) Various capital leases due through December 2023; payable monthly at \$3,003 and secured by certain equipment. Upon the adoption of ASC 842, *Leases*, as of February 1, 2022, these balances are recorded within finance lease liabilities.

Under the terms of the mortgage note payable, 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. At January 31, 2023, the Center was in violation of its debt service coverage ratio and obtained a waiver.

Matthew Walker Comprehensive Health Center, Inc.

Notes to Financial Statements

January 31, 2023 and 2022

Aggregate annual maturities and sinking fund requirements of long-term debt obligations at January 31, 2023, are:

	Long-Term Debt
2024	\$ 312,500
2025	312,500
2026	312,500
2027	312,500
2028	312,500
Thereafter	1,250,000
	\$ 2,812,500

Note 7: 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 the London Interbank Offered Rate (LIBOR), plus 2.85%, and to pay interest to the counterparty at a fixed rate of 4.31% on notional amounts. 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. In January 2022, the Center terminated the interest rate swap agreement and made a settlement payment for \$49,944.

Note 8: Net Assets

Net Assets with Donor Restrictions

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

	2023	2022
Subject to expenditure for specified purpose		
Workforce development	<u>\$ 200,000</u>	<u>\$ 200,000</u>

Matthew Walker Comprehensive Health Center, Inc.

Notes to Financial Statements

January 31, 2023 and 2022

Net Assets Without Donor Restrictions

Net assets without donor restrictions at January 31, 2023 and 2022, 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, 2023 and 2022.

Note 9: Liquidity and Availability

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

	2023	2022
Financial assets at year-end		
Cash and cash equivalents	\$ 2,161,316	\$ 3,306,195
Restricted cash	63,190	85,810
Patient accounts receivable	1,523,228	1,174,877
Other current receivables	734,577	709,497
	<hr/>	<hr/>
Total financial assets	4,482,311	5,276,379
Less amounts not available to be used within one year		
Restricted cash held for others	63,190	85,810
	<hr/>	<hr/>
Financial assets available to meet general expenditures within one year	<u>\$ 4,419,121</u>	<u>\$ 5,190,569</u>

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 10: Operating Leases

Change in Accounting Principle

In February 2016, FASB issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. This ASU requires lessees to recognize a lease liability and a right-of-use (ROU) asset on a discounted basis, for substantially all leases, as well as additional disclosures regarding leasing arrangements. Disclosures are required to enable users of financial statements to assess the amount, timing and uncertainty of cash flows arising from leases. In July 2018, FASB issued

Matthew Walker Comprehensive Health Center, Inc.

Notes to Financial Statements

January 31, 2023 and 2022

ASU 2018-11, *Leases (Topic 842): Targeted Improvements*, which provides an optional transition method of applying the new lease standard. Topic 842 can be applied using either a modified retrospective approach at the beginning of the earliest period presented or, as permitted by ASU 2018-11, at the beginning of the period in which it is adopted, *i.e.*, the comparatives under ASC 840 option.

The Center adopted Topic 842 on February 1, 2022 (the effective date), using the comparatives under ASC 840 transition method, which applies Topic 842 at the beginning of the period in which it is adopted. Prior period amounts have not been adjusted in connection with the adoption of this standard. The Center elected the package of practical expedients under the new standard, which permits entities to not reassess lease classification, lease identification or initial direct costs for existing or expired leases prior to the effective date. The Center has lease agreements with nonlease components that relate to the lease components. The Center elected the practical expedient to account for nonlease components and the lease components to which they relate as a single lease component for all. Also, the Center elected to keep short-term leases with an initial term of 12 months or less off the balance sheet. The Center did not elect the hindsight practical expedient in determining the lease term for existing leases as of February 1, 2022.

The adoption had no impact to the recognition of operating lease ROU assets and operating lease liabilities as the Center determined each of their leases qualified for short term lease exception. Additionally, the accounting for existing capital leases (now referred to as finance leases) remained substantially unchanged. The standard did not significantly affect the consolidated statements of operations, comprehensive income or cash flows.

The cumulative effect of the changes made to the 2022 balance sheet for the adoption of this standard was as follows:

	January 31 2022 As Reported	ASC 842 Adjustment on February 1 2022	February 1 2022 As Adjusted
Liabilities			
Current portion of financing lease liabilities	\$ -	\$ 23,366	\$ 23,366
Current portion of long-term debt	\$ 335,866	\$ (23,366)	\$ 312,500
Long-term financing lease liabilities	\$ -	\$ 21,350	\$ 21,350
Long-term debt	\$ 2,798,030	\$ (21,350)	\$ 2,776,680

These adjustments represent the derecognition of financing obligations and reclassification to finance leases liabilities.

Matthew Walker Comprehensive Health Center, Inc.

Notes to Financial Statements

January 31, 2023 and 2022

Accounting Policies

The Center determines if an arrangement is a lease or contains a lease at inception. Leases result in the recognition of ROU assets and lease liabilities on the balance sheets. ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease, measured on a discounted basis. The Center determines lease classification as operating or finance at the lease commencement date. Finance leases are included in property and equipment and current portion of finance lease liabilities.

The Center combines lease and nonlease components, such as common area and other maintenance costs, and accounts for them as a single lease component in calculating the ROU assets and lease liabilities for its office buildings and certain equipment.

At lease commencement, the lease liability is measured at the present value of the lease payments over the lease term. The ROU asset equals the lease liability adjusted for any initial direct costs, prepaid or deferred rent, and lease incentives. The Center has made a policy election to use a risk-free rate (the rate of a zero-coupon U.S. Treasury instrument) for the initial and subsequent measurement of all lease liabilities. The risk-free rate is determined using a period comparable with the lease term.

The lease term may include options to extend or to terminate the lease that the Center is reasonably certain to exercise. Lease expense is generally recognized on a straight-line basis over the lease term.

The Center has elected not to record leases with an initial term of 12 months or less on the balance sheets. Lease expense on such leases is recognized on a straight-line basis over the lease term.

Nature of Leases

The Center has entered into the following lease arrangements:

Finance Leases

These leases mainly consist of various printers and tablets. Termination of the leases generally are prohibited unless there is a violation under the lease agreement.

Property and equipment include the following property under finance (previously capital) leases at January 31, 2023 and 2022:

	2023	2022
Equipment	\$ 112,026	\$ 145,883
Accumulated depreciation	(92,466)	(104,044)
	<u>\$ 19,560</u>	<u>\$ 41,839</u>

Matthew Walker Comprehensive Health Center, Inc.

Notes to Financial Statements

January 31, 2023 and 2022

Short-Term Leases

The Center leases certain clinic space on a month to month basis as well as certain storage units. The expected lease terms are less than 12 months. Total lease expense included in operating expenses for the year ended January 31, 2023, was \$233,724.

All Leases

The Center has no material related-party leases.

The Center's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

As of April 1, 2023, the Center entered into an additional finance lease for new printers for \$131,197. The finance lease will commence between fiscal year 2023 and fiscal year 2024 with a lease term of five years.

Quantitative Disclosures

The lease cost and other required information for the year ended January 31, 2023, are:

Lease cost

Finance lease cost	
Amortization of right-of-use asset	\$ 22,279
Interest on lease liabilities	1,450
Short-term lease cost	<u>233,724</u>
Total lease cost	<u>\$ 257,453</u>

Other information

Cash paid for amounts included in the measurement of lease liabilities

Operating cash flows from finance leases	\$ 1,450
Financing cash flows from finance leases	\$ 23,366

Weighted-average remaining lease term

Finance leases	1 year
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Weighted-average discount rate

Finance leases	4.3%
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Matthew Walker Comprehensive Health Center, Inc.

Notes to Financial Statements

January 31, 2023 and 2022

Future minimum lease payments and reconciliation to the balance sheet at January 31, 2023, are as follows:

2023	<u>\$ 21,813</u>
Total future undiscounted lease payments	21,813
Less imputed interest	<u>463</u>
Lease liabilities	<u><u>\$ 21,350</u></u>

For the year ended January 31, 2022, lease expense recognized under ASC 840 was approximately \$288,000.

At January 31, 2022, 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). As all lease agreements were under month-to-month renewals, there was no future minimum lease payment requirement at January 31, 2022.

Note 11: Retirement Plan

The Center has a defined contribution retirement plan covering substantially all employees who meet certain eligibility requirements. The board of directors annually determines the amount, if any, of the Center's contributions to the plan. Contribution expense was \$248,819 and \$168,973 for 2023 and 2022, respectively, and \$263,899 and \$210,599 is accrued as a contribution payable at January 31, 2023 and 2022, respectively.

Note 12: 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, 2023, the Center received \$9,239,586 in federal funds, which represents 58% of total support and 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.

Matthew Walker Comprehensive Health Center, Inc.

Notes to Financial Statements

January 31, 2023 and 2022

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 13: COVID-19 Pandemic and the *Coronavirus Aid, Relief and Economic Security Act (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, 2023 and 2022

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 and 2023, as part of the *American Rescue Plan Act*, the Center was awarded federal grant awards of \$5,109,625 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, the Center recognized \$103,629, 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.

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.

Matthew Walker Comprehensive Health Center, Inc.

Notes to Financial Statements

January 31, 2023 and 2022

Note 14: Change in Accounting Principle

In 2023, the Center, adopted ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, on a retrospective basis. ASU 2020-07 requires contributed nonfinancial assets to be presented separately from contributions of cash or other financial assets in the statements of operations and disclosures within the notes to the financial statements about the valuation methodology for, use of, and donor-imposed restrictions associated with contributed nonfinancial assets. Adoption of ASU 2020-07 had no impact on previously reported total change in net assets.

Note 15: Subsequent Events

In August 2023, the Center was notified and received a \$3,100,000 unrestricted donation.

Subsequent events have been evaluated through August 18, 2023, which is the date the financial statements were available to be issued.

Supplementary Information

Matthew Walker Comprehensive Health Center, Inc.
Schedule of Expenditures of Federal Awards
and State Financial Assistance
Year Ended January 31, 2023

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	\$ -	\$ 1,430,252
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	-	4,870,134
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	-	2,321,690
Total Health Center Program Cluster			-	8,622,076
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	-	218,806
Total CDBG – Entitlement Grants Cluster			-	218,806
U.S. Department of Health and Human Services/ <i>American Rescue Plan Act</i> Health Center Infrastructure Support	93.526	N/A	-	248,210
U.S. Department of Health and Human Services/ Passed through from Metro United Way Metropolitan Nashville/Ryan <i>White HIV/AIDS Treatment Extension Act of 2009</i>	93.914	X07HA00024	-	51,426
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	-	217,233
U.S. Department of Health and Human Services/ Passed through Meharry Medical College <i>Model State Supported AHEC Program</i>	93.107	U77HP03040	-	100,640
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	-	64,903
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	-	52,895
Total expenditures of federal awards			-	9,576,189

Matthew Walker Comprehensive Health Center, Inc.
Schedule of Expenditures of Federal Awards
and State Financial Assistance (Continued)
Year Ended January 31, 2023

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	\$ -	\$ 604,917
Tennessee Department of Health/Breast and Cervical Cancer Early Detection Program	N/A	GR-14-37805-00	-	124,539
Total state financial assistance			-	729,456
Total expenditures of federal awards and state financial assistance			\$ -	\$ 10,305,645

Matthew Walker Comprehensive Health Center, Inc.
Notes to Schedule of Expenditures of Federal Awards
and State Financial Assistance
Year Ended January 31, 2023

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, 2023. 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, 2023.

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.'s balance sheet as of January 31, 2023, 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 18, 2023.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2023-001, that we consider to be a significant deficiency.

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 18, 2023

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, 2023. 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, 2023.

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 (GAAS); 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.

Responsibilities 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 Responsibilities 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.

Board of Directors
Matthew Walker Comprehensive Health Center, Inc.
Page 3

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 18, 2023

Matthew Walker Comprehensive Health Center, Inc.
Schedule of Findings and Questioned Costs
Year Ended January 31, 2023

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:

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

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

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:

Assistance Listing Number(s)	Name of Federal Program or Cluster
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, 2023

Section II – Financial Statement Findings

Reference Number	Finding
2023-001	<p>Criteria: 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: An adjusting entry related to the safety net receivable and accounts receivable, along with numerous client prepared adjustments during the course of the audit were recorded.</p> <p>Cause: Management’s analysis was revised primarily as a result of audit procedures performed.</p> <p>Effect or potential effect: Potential material misstatements in the financial statements could occur and not be prevented or detected in a timely manner.</p> <p>Recommendation: Management should continue to review account reconciliations monthly and review underlying support throughout the year.</p> <p>Views of responsible officials and planned corrective actions: The Center has begun closing internal financial statements and reporting to the finance committee within 30 days rather than within 60 days as was practice during 2023. This required more timely review of reconciliations and correcting journal entries as needed.</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, 2023

Reference Number	Summary of Finding	Status
2022-001	Material adjusting entries related to deferred revenue and contribution revenues were recorded. The fiscal year 2022 finding was documented in the schedule of findings and questioned costs that was issued August 1, 2022.	Resolved
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 schedules 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, 2023



MATTHEW WALKER
Comprehensive Health Center, Inc.

August 18, 2023

RE: Matthew Walker Comprehensive Health Center, Inc. – January 31, 2023 Corrective Action Plan

To Whom It May Concern,

Please see below our response for the audit finding from the 2022-23 audit.

FINDINGS: FINANCIAL STATEMENT AUDIT

Finding No. 2023-001 An adjusting entry related to the safety net receivable and accounts receivable, along with numerous client prepared adjustments during the course of the audit were recorded.

Corrective Action: The Center will closing monthly financial statements and reporting to the finance committee within 30 days rather than within 60 days as was practice during 2023.

Contact Person: Melanie Sterbenc
Expected Implementation: March 31, 2023

Sincerely,



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