

**Catawba Care**  
*(Operating as Affinity Health Center effective April 2015)*  
**Rock Hill, South Carolina**

*Report on Financial Statements*

*For the years ended December 31, 2014 and 2013*

# Catawba Care

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## Independent Auditor's Report

To the Board of Directors  
Catawba Care  
Rock Hill, South Carolina

### Report on Financial Statements

We have audited the accompanying basic financial statements of Catawba Care, which comprise the statements of financial position as of December 31, 2014 and 2013, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 audits 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 Organization'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 Organization'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 Catawba Care as of December 31, 2014 and 2013, 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.

## Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards as required by the Office of Management and Budget Circular A-133, *Audits of State, Local Government, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

## Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 14, 2015 on our consideration of Catawba Care's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering Catawba Care's internal control over financial reporting and compliance.



Charleston, South Carolina  
August 14, 2015

# Catawba Care

## Statements of Financial Position

December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 6,954,016	\$ 5,597,323
Grants receivable	382,304	277,669
Accounts receivable	650,930	614,237
Inventories	18,286	19,137
Prepaid expenses and other assets	23,443	23,745
Total current assets	<u>8,028,979</u>	<u>6,532,111</u>
<b>Property and equipment, net</b>	<u>1,166,319</u>	<u>1,186,723</u>
Total assets	<u>\$ 9,195,298</u>	<u>\$ 7,718,834</u>
<b>Liabilities and Net Assets</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 185,073	\$ 372,217
Accrued payroll liabilities	66,390	56,820
Accrued compensated absences	37,199	37,474
Total liabilities	<u>288,662</u>	<u>466,511</u>
<b>Net assets</b>		
Unrestricted		
Board-designated	4,243,394	4,243,394
Invested in property and equipment	1,166,319	1,186,723
Undesignated	3,225,646	1,817,602
Total unrestricted	<u>8,635,359</u>	<u>7,247,719</u>
Temporarily restricted	<u>271,277</u>	<u>4,604</u>
Total net assets	<u>8,906,636</u>	<u>7,252,323</u>
Total liabilities and net assets	<u>\$ 9,195,298</u>	<u>\$ 7,718,834</u>

See Notes to Financial Statements

**Catawba Care****Statements of Activities****For the years ended December 31, 2014 and 2013**

	2014			2013		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>Support and revenue</b>						
Contributions	\$ 19,521	\$ -	\$ 19,521	\$ 11,600	\$ -	\$ 11,600
Special events revenue	43,658	-	43,658	39,793	-	39,793
Cost of direct benefits to donors (special events)	(14,159)	-	(14,159)	(15,159)	-	(15,159)
Contributed goods, services and facilities usage	58,745	-	58,745	39,115	-	39,115
Total contributions	<u>107,765</u>	<u>-</u>	<u>107,765</u>	<u>75,349</u>	<u>-</u>	<u>75,349</u>
Corporate and foundation	-	455,371	455,371	-	102,725	102,725
United Way	-	34,368	34,368	-	37,093	37,093
Government	1,789,345	-	1,789,345	1,786,573	-	1,786,573
Assets released from restrictions	223,066	(223,066)	-	151,750	(151,750)	-
Total grant revenues	<u>2,012,411</u>	<u>266,673</u>	<u>2,279,084</u>	<u>1,938,323</u>	<u>(11,932)</u>	<u>1,926,391</u>
Program revenues						
Private insurance	90,318	-	90,318	65,122	-	65,122
Medicaid and Medicare	58,766	-	58,766	17,019	-	17,019
Medication sales - 340B program	4,162,522	-	4,162,522	3,852,023	-	3,852,023
Cost of medication sales - 340B program	(1,654,492)	-	(1,654,492)	(1,630,672)	-	(1,630,672)
Other	9,373	-	9,373	3,150	-	3,150
Total program revenues	<u>2,666,487</u>	<u>-</u>	<u>2,666,487</u>	<u>2,306,642</u>	<u>-</u>	<u>2,306,642</u>
Other revenues						
Investment income	612	-	612	491	-	491
Total other revenues	<u>612</u>	<u>-</u>	<u>612</u>	<u>491</u>	<u>-</u>	<u>491</u>
Total support and revenue	<u>4,787,275</u>	<u>266,673</u>	<u>5,053,948</u>	<u>4,320,805</u>	<u>(11,932)</u>	<u>4,308,873</u>
<b>Expenses</b>						
Program services						
Medical care	2,080,060	-	2,080,060	1,386,260	-	1,386,260
Support services	650,679	-	650,679	631,684	-	631,684
Prevention	408,876	-	408,876	359,426	-	359,426
Total program services	<u>3,139,615</u>	<u>-</u>	<u>3,139,615</u>	<u>2,377,370</u>	<u>-</u>	<u>2,377,370</u>
Supporting services						
General and administrative	243,043	-	243,043	225,329	-	225,329
Fundraising	16,977	-	16,977	18,418	-	18,418
Total supporting services	<u>260,020</u>	<u>-</u>	<u>260,020</u>	<u>243,747</u>	<u>-</u>	<u>243,747</u>
Total expenses	<u>3,399,635</u>	<u>-</u>	<u>3,399,635</u>	<u>2,621,117</u>	<u>-</u>	<u>2,621,117</u>
<b>Increase (decrease) in net assets</b>	<b>1,387,640</b>	<b>266,673</b>	<b>1,654,313</b>	<b>1,699,688</b>	<b>(11,932)</b>	<b>1,687,756</b>
<b>Net assets, beginning of year</b>	<b>7,247,719</b>	<b>4,604</b>	<b>7,252,323</b>	<b>5,548,031</b>	<b>16,536</b>	<b>5,564,567</b>
<b>Net assets, end of year</b>	<b><u>\$ 8,635,359</u></b>	<b><u>\$ 271,277</u></b>	<b><u>\$ 8,906,636</u></b>	<b><u>\$ 7,247,719</u></b>	<b><u>\$ 4,604</u></b>	<b><u>\$ 7,252,323</u></b>

**See Notes to Financial Statements**

**Catawba Care**

*Statement of Functional Expenses*

*For the year ended December 31, 2014*

	Program Services				Supporting Services			Grand Total
	Medical Care	Support Services	Prevention	Total Program Services	General and Administrative	Fundraising	Total Supporting Services	
Direct assistance to clients								
Off-site specialty care visits	\$ 72,322	\$ -	\$ -	\$ 72,322	\$ -	\$ -	\$ -	\$ 72,322
Medications	41,985	-	-	41,985	-	-	-	41,985
Insurance	184,040	-	-	184,040	-	-	-	184,040
Food	-	9,114	20	9,134	-	-	-	9,134
Transportation	20	26,836	20	26,876	-	-	-	26,876
Housing	-	22,892	-	22,892	-	-	-	22,892
Medication and Physician copays	96,498	-	-	96,498	-	-	-	96,498
Medical supplies	15,588	-	-	15,588	-	-	-	15,588
Other	-	6,034	-	6,034	-	-	-	6,034
Total grants and direct assistance	410,453	64,876	40	475,369	-	-	-	475,369
Salaries	516,202	384,576	204,353	1,105,131	135,370	12,200	147,570	1,252,701
Benefits	85,645	62,818	33,359	181,822	22,640	2,117	24,757	206,579
Payroll taxes	41,432	31,139	16,366	88,937	10,533	980	11,513	100,450
Physician on-site	162,364	-	-	162,364	-	-	-	162,364
Dentist on-site	22,281	-	-	22,281	-	-	-	22,281
Nutrition services	3,275	-	-	3,275	-	-	-	3,275
Lab services	129,783	-	23,987	153,770	-	-	-	153,770
340B program contracted services	531,558	-	-	531,558	-	-	-	531,558
Computer services	34,568	11,735	6,764	53,067	5,922	520	6,442	59,509
Donated professional services	-	7,467	300	7,767	-	-	-	7,767
Other professional services	20,508	5,135	2,582	28,225	27,875	76	27,951	56,176
Supplies	46,935	8,753	30,745	86,433	4,940	56	4,996	91,429
Donated supplies	7,625	7,482	26,828	41,935	1,767	118	1,885	43,820
Telephone	5,873	5,762	3,118	14,753	1,361	91	1,452	16,205
Postage	1,005	1,161	627	2,793	402	48	450	3,243
Rent	145	142	327	614	33	2	35	649
Utilities	4,878	4,787	2,590	12,255	1,131	75	1,206	13,461
Facilities maintenance	3,751	3,581	1,937	9,269	846	56	902	10,171
Donated facilities use	-	1,800	1,424	3,224	-	-	-	3,224
Janitorial services	1,386	1,360	736	3,482	321	21	342	3,824
Equipment rent and maintenance	1,147	694	376	2,217	164	11	175	2,392
Printing	1,507	1,472	796	3,775	351	23	374	4,149
Travel	4,188	12,473	9,433	26,094	13,715	17	13,732	39,826
Conferences, meetings and training	2,750	3,329	12,342	18,421	2,689	16	2,705	21,126
Insurance	5,374	5,273	3,370	14,017	4,740	83	4,823	18,840
Public relations/advertising	91	89	13,819	13,999	46	1	47	14,046
Other	12,365	2,235	462	15,062	2,873	111	2,984	18,046
Depreciation	22,971	22,540	12,195	57,706	5,324	355	5,679	63,385
Totals	\$ 2,080,060	\$ 650,679	\$ 408,876	\$ 3,139,615	\$ 243,043	\$ 16,977	\$ 260,020	\$ 3,399,635

**See Notes to Financial Statements**

**Catawba Care**

*Statement of Functional Expenses*

*For the year ended December 31, 2013*

	Program Services			Total Program Services	Supporting Services			Grand Total
	Medical Care	Support Services	Prevention		General and Administrative	Fundraising	Total Supporting Services	
Direct assistance to clients								
Off-site specialty care visits	\$ 69,225	\$ -	\$ -	\$ 69,225	\$ -	\$ -	\$ -	\$ 69,225
Medications	53,265	-	-	53,265	-	-	-	53,265
Insurance	121,948	-	-	121,948	-	-	-	121,948
Food	-	8,629	-	8,629	-	-	-	8,629
Transportation	-	22,795	2,040	24,835	-	-	-	24,835
Housing	-	14,519	-	14,519	-	-	-	14,519
Medication and Physician copays	89,949	-	-	89,949	-	-	-	89,949
Medical supplies	14,662	-	-	14,662	-	-	-	14,662
Other	-	8,178	-	8,178	-	-	-	8,178
Total grants and direct assistance	349,049	54,121	2,040	405,210	-	-	-	405,210
Salaries	449,807	392,403	186,875	1,029,085	134,968	13,341	148,309	1,177,394
Benefits	70,600	60,907	30,184	161,691	21,503	2,055	23,558	185,249
Payroll taxes	36,238	31,614	15,250	83,102	10,865	1,076	11,941	95,043
Physician on-site	53,100	-	-	53,100	-	-	-	53,100
Dentist on-site	1,800	-	-	1,800	-	-	-	1,800
Nutrition services	4,053	-	-	4,053	-	-	-	4,053
Lab services	91,739	-	14,543	106,282	-	-	-	106,282
340B program contracted services	177,799	-	-	177,799	-	-	-	177,799
Computer services	24,252	6,220	3,618	34,090	4,530	477	5,007	39,097
Donated professional services	960	-	6,000	6,960	-	-	-	6,960
Other professional services	6,864	4,410	571	11,845	18,656	8	18,664	30,509
Supplies	44,702	12,369	29,647	86,718	2,359	74	2,433	89,151
Donated supplies	2,025	2,445	16,076	20,546	447	29	476	21,022
Telephone	5,896	6,013	3,202	15,111	1,409	95	1,504	16,615
Postage	981	1,538	580	3,099	288	23	311	3,410
Rent	135	146	334	615	32	2	34	649
Utilities	4,418	4,543	2,434	11,395	1,081	72	1,153	12,548
Facilities maintenance	5,815	6,056	3,376	15,247	1,347	94	1,441	16,688
Donated facilities use	-	1,800	-	1,800	-	-	-	1,800
Janitorial services	1,418	1,466	766	3,650	352	23	375	4,025
Equipment rent and maintenance	830	521	289	1,640	119	8	127	1,767
Printing	1,322	1,383	1,835	4,540	308	22	330	4,870
Travel	8,111	15,744	10,826	34,681	11,183	159	11,342	46,023
Conferences, meetings and training	16,606	4,570	5,826	27,002	3,099	17	3,116	30,118
Insurance	4,023	4,160	2,592	10,775	4,297	66	4,363	15,138
Public relations/advertising	-	-	13,037	13,037	119	-	119	13,156
Other	3,565	1,675	1,112	6,352	2,320	179	2,499	8,851
Depreciation	20,152	17,580	8,413	46,145	6,047	598	6,645	52,790
Totals	\$ 1,386,260	\$ 631,684	\$ 359,426	\$ 2,377,370	\$ 225,329	\$ 18,418	\$ 243,747	\$ 2,621,117

**See Notes to Financial Statements**

## Catawba Care

### Statements of Cash Flows

For the years ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
<b>Operating activities</b>		
Increase in net assets	\$ 1,654,313	\$ 1,687,756
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	63,385	52,790
Donated equipment	-	(5,928)
Changes in assets and liabilities		
Grants receivable	(104,635)	264,506
Miscellaneous receivables	(36,693)	(33,413)
Inventories	851	(2,571)
Prepays and other assets	302	10,447
Accounts payable	(187,144)	50,766
Accrued liabilities	9,295	16,189
Net cash provided by operating activities	<u>1,399,674</u>	<u>2,040,542</u>
<b>Investing activities</b>		
Purchases of property and equipment	(42,981)	(110,752)
Proceeds from sale of investments	-	105,481
Net cash used by investing activities	<u>(42,981)</u>	<u>(5,271)</u>
Net increase in cash	1,356,693	2,035,271
<b>Cash and cash equivalents, beginning of year</b>	5,597,323	3,562,052
<b>Cash and cash equivalents, end of year</b>	<u>\$ 6,954,016</u>	<u>\$ 5,597,323</u>
<b>Non-cash activities:</b>		
Contribution of equipment	<u>\$ -</u>	<u>\$ 5,928</u>

See Notes to Financial Statements

## Catawba Care

### *Notes to Financial Statements December 31, 2014 and 2013*

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#### **Note 1. Nature of Activities**

##### Organization:

The vision of Catawba Care (“CC” or “the Organization”) is to be the respected and valued provider of comprehensive HIV/AIDS prevention and care. The mission of CC is to promote optimal health by providing medical care and support services for people living with HIV/AIDS and by educating the community to prevent the spread of HIV. CC is guided by a set of values: Commitment, Compassion, Diversity, Excellence and Integrity.

Catawba Care, formerly Catawba Care Coalition, was formed in 1994 to serve the HIV+ population of York, Chester and Lancaster counties. The agency was originally housed at the York County Health Department and operated under the United Way. In 2000, CC became a not-for-profit organization and expanded to include more case managers and an on-site medical clinic. Since 2000, CC has continued to expand and merge with other agencies to alleviate duplication of services and maximize the use of limited resources. In 2010, CC relocated to a new facility to ensure more effective service delivery. Catawba Care has a unique model of care for HIV organizations in the Charlotte metropolitan area and across the state of South Carolina. CC’s medical home model of care for people living with HIV includes on-site HIV specialty care, primary medical care, mental health counseling, medical case management, housing and food assistance, and HIV prevention education services. To identify people who are HIV positive and may not know it, CC provides free HIV testing, free testing for other sexually transmitted diseases, and prevention education programs throughout the community. Catawba Care is recognized as a leader across the region and the state by providing technical assistance services for HIV programs across South Carolina and by participating in regional and state advisory and planning groups.

Catawba Care is governed by a volunteer Board of Directors and is advised by a local Client Advisory Board. CC’s Management Team is guided by a Strategic Plan and a Quality Management Plan, ensuring the provision of mission-driven, high quality services. CC contracts with an Infectious Diseases Specialist Physician who serves as the Clinic Medical Director, has a paid staff of 27 and approximately 74 active volunteers. Catawba Care supports its activities through government funding, program income, United Way allocations, foundation grants, and contributions.

##### Programs:

###### *Prevention*

Prevention Services are intended to prevent new HIV infections in our community. Catawba Care encourages all persons to know their HIV status and how to make healthy choices. Prevention Services include 1) free, confidential, rapid (20 minute) HIV tests on-site and throughout the community; 2) free STD (sexually transmitted diseases) testing on-site; 3) risk reduction education programs for persons at risk for HIV; 4) risk reduction education for persons living with HIV to prevent the spread of HIV; and 5) HIV prevention education programs for special populations including youth and their parents, inmates, faith-based organizations, and any group seeking to learn more about HIV and HIV prevention.

Additionally, Catawba Care has: 1) a Speakers Bureau Program that utilizes people living with HIV/AIDS to share their personal stories to raise awareness in the community; 2) a Peer Program that utilizes people living with HIV/AIDS to provide support to others living with the disease; and 3) a Volunteer Program. All prevention services are provided at no cost to the recipient.

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## Catawba Care

### *Notes to Financial Statements*

*December 31, 2014 and 2013*

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#### **Note 1. Nature of Activities, Continued**

##### *Medical care*

Medical care is provided in a dignified, compassionate manner, without regard for ability to pay. With access to quality care, patients can live longer and healthier lives. Clinic services at Catawba Care include 1) primary care; 2) HIV specialty care; 3) specialty referral and payment services, including oral health; 4) phlebotomy / laboratory services; 5) breast cancer education and screening services; 6) treatment adherence education; 7) on site mental health counseling and referrals for substance abuse services; and 8) on-site nutritional counseling and provision of nutritional supplements. CC also provides financial assistance for medications as well as medical, dental, and vision insurance premiums and co-pays. For most, medical services are provided at no cost to the patient. For those with financial means, CC has a sliding fee scale.

##### *Support services*

Support services are intended to help patients remain engaged in medical treatment and to assist them with reducing any barriers to care. Services include 1) medical case management; 2) HIV education and advocacy; 3) outreach to those out of care; 4) educational and therapeutic support groups; 5) referral services and assistance with accessing public benefits; 6) housing services, including financial assistance with rent, mortgage, utilities and deposits; 7) transportation assistance to medical appointments; and 8) emergency food assistance. All support services are provided at no cost to the client.

#### **Note 2. Summary of Significant Accounting Policies**

##### *Financial statement presentation:*

In accordance with the accounting standards, the Organization is required to report 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. Restrictions are conditions of use specified by grantors or donors. When restrictions expire, due to passage of time or fulfillment of the purpose of the funds, temporarily restricted net assets are reclassified as unrestricted. At December 31, 2014 and 2013, the Organization had temporarily restricted net assets but no permanently restricted net assets.

##### *Basis of accounting:*

The accompanying financial statements have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

##### *Estimates:*

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

## Catawba Care

### Notes to Financial Statements

December 31, 2014 and 2013

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#### Note 2. Summary of Significant Accounting Policies, Continued

##### Income tax basis:

Catawba Care has been recognized by the Internal Revenue Service as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. Accordingly, income earned in furtherance of its tax-exempt purpose is exempt from federal and state income taxes. Any activities not directly related to its tax-exempt purpose are subject to taxation as unrelated business income.

When tax returns are filed, it is highly certain that some positions taken would be sustained upon examination by the taxing authorities, while others are subject to uncertainty about the merits of the position taken or the amount of the position that would be ultimately sustained. Management is not aware of any material uncertain tax positions and no liability has been recognized at December 31, 2014 or 2013. If applicable, interest and penalties associated with tax uncertainties are classified as additional income taxes in the statement of activity. With few exceptions, the Organization is no longer subject to income tax examinations by the Federal, state or local taxing authorities for years prior to 2011.

##### Contributions:

The Organization is required by the applicable accounting standards to record contributions received as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

##### Contributions and grants receivable:

Contributions and grants receivable representing unconditional promises to give generally are recognized as revenues when the promise is received. Receivables under cost-reimbursement and performance grants are recognized when the grant criteria are met. Contributions and grants receivable that are expected to be collected in less than one year are reported at net realizable value. Those expected to be collected in more than one year are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue.

All of the Organization's grants receivable are expected to be collected within one year at December 31, 2014 and 2013, respectively, and are reported at net realizable value. Management does not believe an allowance for uncollectible amounts is necessary based on historical experience with the Organization's donors and grantors.

At December 31, 2014 and 2013, the Organization did not have any contributions receivable.

##### Accounts receivable:

Accounts receivable are stated at the net realizable amounts due for services rendered from patients, third-party payors, contract pharmacy operations and others. The Organization estimates the allowance for doubtful accounts based on historical experience and management's evaluation of outstanding accounts receivable. Management does not believe an allowance for uncollectible amounts is necessary based on historical experience with the Organization's patients and contract pharmacy.

## Catawba Care

### Notes to Financial Statements

December 31, 2014 and 2013

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#### Note 2. Summary of Significant Accounting Policies, Continued

##### Net Patient Service Revenue and Charity:

The Organization provides care to all patients without regard to their ability to pay. Patients are charged on a sliding scale based on their ability to pay as determined by federal poverty guidelines. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered because there is no pursuit of collection for the charges in excess of ability to pay or contractual agreement.

##### Cash and cash equivalents:

For purposes of the statement of cash flows, the Organization considers all unrestricted liquid investments with an initial maturity of three months or less to be cash and cash equivalents.

##### Inventories:

Inventories are valued at the lower of cost or market, using the first-in/first-out (FIFO) method of costing and consist primarily of medication.

##### Property and equipment:

Donations of property and equipment are recorded as contributions at their estimated fair value at the date of donation. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expiration of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Property and equipment purchases are recorded at cost. Depreciation is provided over the estimated useful life of each class of depreciable assets and is computed using the straight-line method. Leasehold improvements are capitalized and depreciated using the shorter of the lease term or estimated life of the assets. The Organization reviews the carrying values of its long-lived assets for possible impairment whenever events or changes in circumstances indicate the carrying amount of the assets may not be recoverable. Repairs and maintenance are charged to operations. The useful lives are as follows:

Buildings and improvements	15 to 35 years
Furniture and equipment	3 to 7 years
Leasehold improvements	Lease term

## Catawba Care

### *Notes to Financial Statements* *December 31, 2014 and 2013*

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#### **Note 2. Summary of Significant Accounting Policies, Continued**

##### Accrued compensated absences:

The Organization allows its full-time employees to accumulate vacation and sick leave, and such leave is fully vested when earned. The maximum number of days of annual leave that can be carried forward to the next calendar year is 15 days. Full-time employees with 1 year of service earn 16 days per year, 2 years of service earn 17 days per year, 3 years of service earn 19 days per year, 4 years of service earn 21 days per year, 5 years of service earn 23 days per year, 6 years of service earn 25 days per year, 7 years of service earn 27 days per year, and 8 or more years of service earn 30 days per pay year.

##### Functional allocation of expenses:

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statements of activities. Certain costs have been allocated among the program and general and administrative categories based on management's estimates.

##### Advertising:

Advertising costs are expensed as incurred. Advertising costs for the years ended December 31, 2014 and 2013 were \$14,046 and \$13,156, respectively.

##### Reclassifications:

Certain prior year balances have been reclassified to conform to the current year presentation. Net assets and changes in net assets are unchanged due to these reclassifications.

##### Subsequent events:

In preparing these financial statements, the Company has evaluated events and transactions for potential recognition or disclosure through August 14, 2015, the date the financial statements were available to be issued.

#### **Note 3. Concentrations of Credit Risk**

The Organization places cash and cash equivalents with high quality financial institutions. At December 31, 2014, deposits with financial institutions were collateralized or covered by Federal Deposit Insurance Corporation (FDIC) insurance limits.

## Catawba Care

### Notes to Financial Statements

December 31, 2014 and 2013

#### Note 4. Grants Receivable

Grants receivable consisted of the following at December 31:

	<u>2014</u>	<u>2013</u>
Carolina Care Partnership		
HOPWA (Housing Opportunities for Persons with AIDS)	\$ 8,266	\$ 9,872
Mecklenburg County		
Ryan White Part A	60,006	35,398
Ryan White Part A Minority AIDS Initiative	8,820	42,000
US Department of Health and Human Services		
Ryan White Part C	54,026	27,256
South Carolina Department of Health and Environmental Control		
Ryan White Part B	74,182	67,133
Ryan White Part B: ADAP (AIDS Drug Assistance Program)	121,605	33,855
Ryan White Part B: Technical Assistance	1,913	3,487
HIV/AIDS Prevention and Risk Reduction	29,313	37,010
Housing Opportunities for Persons with AIDS (HOPWA)	-	4,982
South Carolina Campaign to Prevent Teen Pregnancy	2,388	3,346
Ryan White Part B - 340B Program Unbilled	6,836	5,798
United Way	14,300	4,915
Other	649	2,617
Total	<u>\$ 382,304</u>	<u>\$ 277,669</u>

#### Note 5. Accounts Receivable

Accounts receivable consisted of the following at December 31:

	<u>2014</u>	<u>2013</u>
MedExpress Pharmacy – 340B Program	\$ 650,461	\$ 614,147
Insurance Receivables	200	90
Other	269	-
Total	<u>\$ 650,930</u>	<u>\$ 614,237</u>

## Catawba Care

### Notes to Financial Statements

December 31, 2014 and 2013

#### Note 6. Property and Equipment

Property and equipment consist of the following at December 31:

	<u>2014</u>	<u>2013</u>
Land	\$ 155,000	\$ 155,000
Buildings	990,833	990,833
Leasehold Improvements	50,708	31,615
Furniture and equipment	<u>214,735</u>	<u>202,814</u>
	1,411,276	1,380,262
Less accumulated depreciation	<u>244,957</u>	<u>193,539</u>
Property and equipment, net	<u>\$ 1,166,319</u>	<u>\$ 1,186,723</u>

Depreciation expense for the years ended December 31, 2014 and 2013 was \$63,385 and \$52,790, respectively.

#### Note 7. Net Assets

The Board has designated net assets for the following purposes at December 31:

	<u>2014</u>	<u>2013</u>
Operating reserves	\$ 1,793,394	\$ 1,793,394
Expansion reserves	<u>2,450,000</u>	<u>2,450,000</u>
Total designations	<u>\$ 4,243,394</u>	<u>\$ 4,243,394</u>

The following summarizes changes in temporarily restricted net assets during the year ended December 31, 2014:

<u>Funding Source &amp; Restriction</u>	<u>Balance at December 31, 2013</u>	<u>Funds Received/ Accrued</u>	<u>Released From Restriction</u>	<u>Balance at December 31, 2014</u>
J. Marion Sims Foundation, Inc. – HIV Lancaster	\$ 2,394	\$ 80,833	\$ 67,075	\$ 16,152
The Duke Endowment – Community Health	-	200,000	15,293	184,707
AIDS United – HIV Advocacy and Education	2,210	25,000	23,190	4,020
Chester Healthcare Foundation – HIV Chester	-	20,000	20,000	-
Blue Cross Blue Shield of South Carolina Foundation – Dental	-	30,000	14,002	15,998
Sisters of Charity Foundation of South Carolina – Community Health	-	5,000	5,000	-
Sisters of Mercy North Carolina Foundation, Inc. – Community Health	-	50,400	-	50,400
The Springs Close Foundation – Community Health	-	30,000	30,000	-

## Catawba Care

### Notes to Financial Statements December 31, 2014 and 2013

#### Note 7. Net Assets, Continued

<u>Funding Source &amp; Restriction</u>	<u>Balance at December 31, 2013</u>	<u>Funds Received/ Accrued</u>	<u>Released From Restriction</u>	<u>Balance at December 31, 2014</u>
SC Campaign to Prevent Teen Pregnancy				
– HIV/STD/Teen Pregnancy Prevention	-	14,138	14,138	-
United Way of Chester County – HIV Chester	-	1,500	1,500	-
United Way of York County – HIV and Community Health	-	32,868	32,868	-
	<u>\$ 4,604</u>	<u>\$ 489,739</u>	<u>\$ 223,066</u>	<u>\$ 271,277</u>

The following summarizes changes in temporarily restricted net assets during the year ended December 31, 2013:

<u>Funding Source &amp; Restriction</u>	<u>Balance at December 31, 2012</u>	<u>Funds Received/ Accrued</u>	<u>Released From Restriction</u>	<u>Balance at December 31, 2013</u>
J. Marion Sims Foundation, Inc. – HIV Lancaster	\$ 4,238	\$ 21,667	\$ 23,511	\$ 2,394
AIDS United – HIV Advocacy and Education	2,206	25,000	24,996	2,210
Chester Healthcare Foundation – HIV Chester	9,842	20,000	29,842	-
Restricted Donations	250	33,385	33,635	-
United Way of Chester County – HIV Chester	-	1,700	1,700	-
United Way of Lancaster County – HIV Lancaster	-	2,300	2,300	-
United Way of York County – HIV and Community Health	-	35,766	35,766	-
	<u>\$ 16,536</u>	<u>\$ 139,818</u>	<u>\$ 151,750</u>	<u>\$ 4,604</u>

#### Note 8. Contributed Goods, Services and Facilities Usage

Contributed goods, services and facilities usage include the following for the years ended December 31:

	<u>2014</u>	<u>2013</u>
Donated professional services	\$ 7,767	\$ 6,960
Donated use of facilities	3,224	1,800
Donated equipment and materials	47,754	30,355
Total	<u>\$ 58,745</u>	<u>\$ 39,115</u>

Volunteers from the community have donated a significant number of hours in assisting Catawba Care meet its mission. In addition to donated professional services included above, approximately 1129 of service hours were provided to CC by volunteers during 2014; however, these donated services are not reflected in the financial statements since the services do not meet the criteria for recognition as contributed services.

## Catawba Care

### Notes to Financial Statements

December 31, 2014 and 2013

#### Note 9. Donated Assets

Donated assets include the following for the years ended December 31:

	<u>2014</u>	<u>2013</u>
Donated service software	\$ 21,040	\$ 5,928
Donated prevention program supplies	<u>26,714</u>	<u>16,403</u>
Total	<u>\$ 47,754</u>	<u>\$ 22,331</u>

#### Note 10. Claims and Judgments

From time-to-time, the Organization is subject to litigation that arises in the ordinary course of conducting activities. In management's opinion, the resolution of litigation matters, if any, would not have a material effect on the financial position of the Organization at December 31, 2014 and 2013.

#### Note 11. Risk Management

The Organization carries commercial insurance against all risks of loss, including property and general liability, workers' compensation, fidelity, volunteer and public officials' liability insurance. There have been no significant reductions in insurance coverage in the prior year, and settled claims from these risks have not exceeded commercial insurance coverage in any of the last three fiscal years.

#### Note 12. Subsequent Events

Catawba Care's Board of Directors elected to rebrand the Organization as Affinity Health Center and seek U.S. Department of Health and Human Services Federally Qualified Health Center (FQHC) status. Effective April 2015, the name was changed. Under this program, the Organization will offer a full-service family practice, expanding to offer a wide range of affordable, high-quality healthcare services for underserved communities and vulnerable populations through service provision to all, regardless of ability to pay. Effective August 1, 2015, the Organization achieved FQHC status.

Effective July 1, 2015, the Organization received four medical clinics from a third-party not-for-profit organization and will continue the operations of the clinics in connection with its transition into a full-service health care provider.

#### Note 13. Contingencies

The Organization participates in a number of federal and state grants and contracts, which are subject to possible financial and compliance examinations made by federal and state authorities who determine compliance with terms, conditions, laws, and regulations governing grants given to the Organization in the current and prior years. Occasionally, such examinations may determine that certain costs incurred against the grants do not comply with the established criteria that govern them. In such cases, the Organization could be held responsible for repayments to the funding agency for the costs or be subject to the reductions of future funding in the amount of the costs. Management is not aware of any material questioned costs for the contracts and grants administered through the year ended December 31, 2014.

## **SINGLE AUDIT SECTION**

**Catawba Care****Schedule of Expenditures of Federal Awards****For the year ended December 31, 2014**

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA number</u>	<u>Pass- through grantor's number</u>	<u>Federal Expenditures</u>
<b><u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u></b>			
Department of Health and Human Services Direct Programs			
Ryan White Program Part C - Early Intervention Services	93.918		\$ 570,425
Subtotal Department of Health and Human Services Direct Programs			<u>570,425</u>
S.C. Health and Environment Control			
Ryan White Program Part B	93.917	HV-4-787	372,698
Ryan White Program Part B - ADAP (AIDS Drug Assistance Program)			
Insurance Assistance	93.917	HV-4-787	195,333
Ryan White Program Part B - ADAP (AIDS Drug Assistance Program)			
Co-pay Assistance	93.917	HV-4-787	14,711
Ryan White Program Part B - Technical Assistance	93.917	HV-12-024	2,560
HIV/AIDS Prevention and Risk Reduction	93.940	HV-3-363	100,501
HIV Prevention Innovative Demonstration Project	93.940	HV-3-370	65,000
Mecklenburg County Health Department			
Ryan White Program Part A	93.914	140724	331,119
Ryan White Program Part A - Minority AIDS Initiative	93.914	140723	<u>100,812</u>
Subtotal Department of Health and Human Services Pass-Through Programs			<u>1,182,734</u>
<i>Total U.S. Department of Health and Human Services</i>			<u>1,753,159</u>
<b><u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u></b>			
Department of Housing and Urban Development Pass-Through Programs From:			
Carolinas Care Partnership			
HOPWA (Housing Opportunities for Persons with AIDS)	14.241	57-1092940	23,083
SC Department of Health and Environmental Control			
HOPWA (Housing Opportunities for Persons with AIDS)	14.241	HV-10-060	<u>13,103</u>
<i>Total U.S. Department of Housing and Urban Development</i>			<u>36,186</u>
Total all Federal agencies			<u>\$ 1,789,345</u>

**The Accompanying Notes are an Integral Part of this Schedule**

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## **Catawba Care**

### ***Notes to the Schedule of Expenditures of Federal Awards For the year ended December 31, 2014***

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#### **Note A - Basis of Presentation**

The accompanying schedule of expenditures and federal awards (the "Schedule") includes the federal grant activity of Catawba Care under programs of the federal government for the year ended December 31, 2014. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations." Because the schedule presents only a selected portion of the operations of Catawba Care, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Catawba Care.

#### **Note B - 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 OMB Circular A-122, Cost Principles for Non-profit Organizations, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.



**Independent Auditor’s 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***

Board of Directors  
Catawba Care  
Rock Hill, South Carolina

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 Catawba Care, which comprise the statement of financial position as of December 31, 2014, and the related statements of activities, 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 14, 2015.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Catawba Care’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Catawba Care’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Catawba Care’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 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 the 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 Catawba Care's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or 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 "Elliott Davis Decosimo, LLC". The signature is written in a cursive, flowing style.

Charleston, South Carolina  
August 14, 2015



**Independent Auditor's Report on Compliance For Each Major Federal Program  
and on Internal Control Over Compliance Required by OMB Circular A-133**

Board of Directors  
Catawba Care  
Rock Hill, South Carolina

**Compliance**

**Report on Compliance for Each Major Federal Program**

We have audited Catawba Care (the Organization)'s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended December 31, 2014. The Organization'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 laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the Organization'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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization'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 the Organization's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the Organization 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, 2014.

## Report on Internal Control Over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization'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 OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Elliott Davis Decosimo, LLC". The signature is written in a cursive style with a large, sweeping initial 'E'.

Charleston, South Carolina  
August 14, 2015

# Catawba Care

## Schedule of Findings and Questioned Costs For the year ended December 31, 2014

### Section I - Summary of Auditor's Results

#### Financial Statements

Type of auditor's report issued:  
Internal control over financial reporting:

Unmodified

- Material weakness identified?  yes  no
- Significant deficiency identified?  yes  none reported

Noncompliance material to financial statements noted  yes  no

#### Federal Awards

Internal control over major programs:

- Material weakness identified?  yes  no
- Significant deficiency identified?  yes  none reported

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

- Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133  yes  no

Identification of major federal programs:

CFDA #	Program / Cluster Name
93.917	Ryan White Program Part B

Dollar threshold used to distinguish between Type A and Type B Programs: \$300,000

Auditee qualified as low-risk auditee?  yes  no

### Section II - Financial Statement Findings:

There were no findings relating to this area for the period ended December 31, 2014.

### Section III - Federal Awards:

There were no findings relating to this area for the period ended December 31, 2014.

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**Catawba Care*****Summary Schedule of Prior Year Findings  
For the year ended December 31, 2014***

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The prior audit report for the year ended December 31, 2013 contained no audit findings.