

**AUDITED FINANCIAL STATEMENTS  
AND  
ADDITIONAL INFORMATION**

**HOPEHEALTH, INC.  
Florence, South Carolina**

**December 31, 2014**

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**BURCH, OXNER, SEALE CO.**  
**CERTIFIED PUBLIC ACCOUNTANTS**  
**A PROFESSIONAL CORPORATION**

-MEMBERS OF-  
AMERICAN INSTITUTE OF  
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**INDEPENDENT AUDITORS' REPORT**

To the Board of Directors  
HopeHealth, Inc.  
Florence, South Carolina

**Report on the Financial Statements**

We have audited the accompanying financial statements of HopeHealth, Inc. (a nonprofit organization), 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of HopeHealth, Inc. (a nonprofit organization), 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.

## **Other Matters**

Our audit was 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 Office of Management and Budget Circular A-133, *Audits of States, Local Governments, 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 September 30, 2015, on our consideration of HopeHealth, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants 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. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering HopeHealth, Inc.'s internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Burch, Gynex, Sealie Co., CPAs, PA". The signature is written in a cursive, flowing style.

Florence, South Carolina

September 30, 2015

# HopeHealth, Inc.

## Statements of Financial Position

		December 31,	
		2014	2013
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash		\$ 1,606,407	\$ 668,559
Receivables			
Grants--Note B		651,049	532,327
Patients, net of allowance of \$322,259 and \$533,590 in 2014 and 2013, respectively		1,713,224	2,099,739
Other programs		2,798,140	1,549,963
Inventory		439,760	228,187
Prepaid expenses		48,942	53,557
	<b>TOTAL CURRENT ASSETS</b>	<u>7,257,522</u>	<u>5,132,332</u>
<b>PROPERTY AND EQUIPMENT</b> --Notes C and I		<u>4,498,267</u>	<u>4,249,170</u>
	<b>TOTAL ASSETS</b>	<u>\$ 11,755,789</u>	<u>\$ 9,381,502</u>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Account payable and accrued expenses		\$ 3,188,523	\$ 3,052,772
Current maturities of long-term debt--Note I		777,000	268,600
Deferred revenue		20,594	21,191
	<b>TOTAL CURRENT LIABILITIES</b>	<u>3,986,117</u>	<u>3,342,563</u>
<b>LONG-TERM DEBT</b> --less current maturities--Note I		<u>1,397,621</u>	<u>2,145,490</u>
<b>NET ASSETS</b>			
Unrestricted		<u>6,372,051</u>	<u>3,893,449</u>
	<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 11,755,789</u>	<u>\$ 9,381,502</u>

See accompanying notes to financial statements.

# HopeHealth, Inc.

## Statements of Activities

	<b>Year Ended December 31,</b>	
	<b>2014</b>	<b>2013</b>
<b>Unrestricted Net Assets</b>		
Unrestricted support and revenue:		
Contributions	\$ 160,097	\$ 148,682
Wellness income	77,607	278,731
Medical practice income	28,341,515	21,836,264
Uninsured income allocation	366,405	705,463
Rental/management fees	31,367	56,827
Interest income	<u>27</u>	<u>25</u>
<b>TOTAL UNRESTRICTED REVENUES AND GAINS</b>	28,977,018	23,025,992
Net assets released from restrictions		
Restrictions satisfied by payments	<u>7,056,154</u>	<u>7,936,486</u>
<b>TOTAL UNRESTRICTED SUPPORT AND RECLASSIFICATION</b>	<u>36,033,172</u>	<u>30,962,478</u>
<b>Expenses:</b>		
Program services:		
Ryan White Part B and C	2,289,716	2,234,325
HOPWA	246,860	307,517
HOPWA support	47,542	45,306
Prevention	356,657	278,921
CHC	29,414,483	26,131,367
Client Assistance	344,881	290,627
Innovations	99,057	330,919
Supporting services:		
Management and general	733,877	579,820
Fundraising	<u>21,497</u>	<u>45,225</u>
<b>TOTAL EXPENSES</b>	<u>33,554,570</u>	<u>30,244,027</u>
<b>INCREASE IN UNRESTRICTED NET ASSETS</b>	<u>2,478,602</u>	<u>718,451</u>
<b>Temporarily Restricted Net Assets</b>		
Contributions		
Ryan White Part B Grant	1,461,455	1,792,826
CDC Prevention Grant	359,922	286,039
HOPWA Grant	334,558	380,159
Ryan White Part C Grant	697,404	646,938
MAI Grant	40,778	51,265
CHC Grant	3,253,512	4,350,288
Health Insurance Reimbursement Program	32,612	-
AIDS Benefit Foundation	3,000	2,000

# HopeHealth, Inc.

## Statements of Activities--Continued

	<b>Year Ended December 31,</b>	
	<b>2014</b>	<b>2013</b>
<b>Temporarily Restricted Net Assets--Continued</b>		
FIP	455,546	125,830
SAMSHA	344,214	276,860
Breast and Cervical Cancer Project	61,164	23,730
SC Wisewoman	4,489	-
Assistance Programs for Chronic Disease Prevention	7,500	-
Breast and Cervical Cancer Screening	-	197
Best Chance Network	-	354
Net assets released from restrictions		
Restrictions satisfied by payments	<u>(7,056,154)</u>	<u>(7,936,486)</u>
	<b>INCREASE IN TEMPORARILY RESTRICTED NET ASSETS</b>	<b>INCREASE IN TEMPORARILY RESTRICTED NET ASSETS</b>
	<u>-</u>	<u>-</u>
	<b>INCREASE IN NET ASSETS</b>	<b>INCREASE IN NET ASSETS</b>
	2,478,602	718,451
Beginning net assets	<u>3,893,449</u>	<u>3,174,998</u>
	<b>ENDING NET ASSETS</b>	<b>ENDING NET ASSETS</b>
	<u>\$ 6,372,051</u>	<u>\$ 3,893,449</u>

See accompanying notes to financial statements.

**HopeHealth, Inc.**  
**Statement of Functional Expenses**  
**Year Ended December 31, 2014**

	Program Services			
	<u>Ryan White Part B and C</u>	<u>HOPWA</u>	<u>HOPWA Support</u>	<u>Prevention</u>
Compensation and related expenses				
Salaries and wages	\$ 993,996	\$ 177,041	\$ -	\$ 193,915
Payroll taxes	84,343	17,789	-	18,396
Employee benefits	168,512	25,585	-	28,459
	<u>1,246,851</u>	<u>220,415</u>	-	<u>240,770</u>
Patient transportation	99,829	11,677	-	-
Counseling	14,886	-	-	-
Pharmacy	197,752	-	-	-
Temporary staff	-	-	-	-
Laboratory	119,775	-	-	4,088
Radiology	5,750	-	-	-
Medical supplies	2,234	150	-	252
Testing/prevention supplies	-	-	-	25,143
Dental care	31,315	-	-	-
Health education	-	-	-	975
Miscellaneous medical expense	17,319	-	-	-
Physician	388,641	-	-	-
Nurses	15,600	-	-	-
Financial assistance	16,319	-	-	-
Bad debt expense	-	-	-	-
Training	14,836	-	-	5,585
Management fees	-	-	-	-
Travel and mileage	11,079	98	-	3,082
Advertising & marketing	(101)	-	-	20,311
Accounting and legal	-	-	-	-
Insurance	97,573	-	-	-
Office expense	(17,402)	934	-	50,915
Bank charges	-	-	-	-
Taxes and licenses	-	-	-	-
Payroll services	-	-	-	-
Recruitment	-	-	-	-
IT support & support	9,252	-	-	-
Postage	1,960	-	-	-
Telephone	-	1,818	-	2,272
Housing assistance	-	-	47,542	-
Utilities	-	2,884	-	-
Rent expense	4,339	-	-	171
Maintenance	-	-	-	-
Dues and subscriptions	-	-	-	-
Miscellaneous	-	-	-	-
Interest	11,909	8,884	-	3,093
Depreciation	-	-	-	-
	<u>                  </u>	<u>                  </u>	<u>                  </u>	<u>                  </u>
<b>TOTAL FUNCTIONAL EXPENSES</b>	<b>\$ 2,289,716</b>	<b>\$ 246,860</b>	<b>\$ 47,542</b>	<b>\$ 356,657</b>



<b>Program Services</b>			<b>Supporting Services</b>		
<b>CHC</b>	<b>Client Assistance</b>	<b>Innovations</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total</b>
\$ 10,756,534	\$ 115,150	\$ 43,695	\$ 174,068	\$ -	\$ 12,454,399
853,512	11,825	9,416	21,621	-	1,016,902
1,670,971	20,850	2,183	27,593	-	1,944,153
<u>13,281,017</u>	<u>147,825</u>	<u>55,294</u>	<u>223,282</u>	<u>-</u>	<u>15,415,454</u>
(10,221)	-	-	-	-	101,285
101,882	-	-	-	-	116,768
7,431,468	-	-	-	-	7,629,220
13,648	-	-	-	-	13,648
458,533	-	-	-	-	582,396
21,967	-	-	-	-	27,717
251,554	-	-	-	-	254,190
11,407	29,649	-	-	-	66,199
21,675	-	-	-	-	52,990
5,377	-	-	-	-	6,352
163,709	68,530	-	-	-	249,558
155,741	-	-	-	-	544,382
-	21,840	-	-	-	37,440
(350)	-	-	-	-	15,969
453,986	-	6,792	-	-	460,778
108,779	10,254	-	-	-	139,454
4,223,971	-	-	-	-	4,223,971
61,223	10,789	-	170	-	86,441
95,128	46,905	1,002	-	(62)	163,183
38,410	-	-	22,911	-	61,321
52,557	-	2,338	90,214	-	242,682
249,354	6,091	883	12,122	-	302,897
48,116	-	3,125	-	-	51,241
134,416	-	2,590	-	-	137,006
159,724	-	-	-	-	159,724
50,304	-	-	-	-	50,304
279,709	-	6,852	-	-	295,813
51,910	(73)	-	1,003	-	54,800
94,838	-	1,033	6,706	-	106,667
(2,159)	-	-	-	-	45,383
186,465	-	1,718	16,645	-	207,712
791,221	-	15,514	4,714	-	815,959
153,207	-	1,693	-	-	154,900
60,058	-	-	-	-	60,058
20,468	626	223	-	21,559	42,876
93,472	2,445	-	-	-	119,803
<u>101,919</u>	<u>-</u>	<u>-</u>	<u>356,110</u>	<u>-</u>	<u>458,029</u>
<u>\$ 29,414,483</u>	<u>\$ 344,881</u>	<u>\$ 99,057</u>	<u>\$ 733,877</u>	<u>\$ 21,497</u>	<u>\$ 33,554,570</u>

See accompanying notes to financial statements.

**HopeHealth, Inc.**  
**Statement of Functional Expenses**  
**Year Ended December 31, 2013**

	<b>Program Services</b>			
	<u>Ryan White Part B and C</u>	<u>HOPWA</u>	<u>HOPWA Support</u>	<u>Prevention</u>
Compensation and related expenses				
Salaries and wages	\$ 1,043,253	\$ 216,636	\$ -	\$ 132,740
Payroll taxes	98,126	23,162	-	12,306
Employee benefits	179,312	35,779	-	22,232
	<u>1,320,691</u>	<u>275,577</u>	-	<u>167,278</u>
Patient transportation	86,137	12,041	-	-
Counseling	39,329	8,622	-	10,558
Pharmacy	-	-	-	-
Temporary staff	-	-	-	-
Laboratory	239,743	-	-	4,055
Radiology	6,219	-	-	-
Medical supplies	30,836	-	-	-
Dental care	51,485	-	-	-
Health education	-	-	-	226
Miscellaneous medical expense	26,181	1,228	-	29,422
Physician	310,501	-	-	-
Financial assistance	14,309	-	-	-
Bad debt expense	-	-	-	-
Training	17,437	-	-	1,828
Management fees	-	-	-	-
Travel and mileage	17,180	388	-	7,672
Advertising & marketing	1,405	-	-	4,419
Accounting and legal	(308)	-	-	-
Insurance	51,025	-	-	-
Office expense	6	1,731	-	36,783
Postage	5,178	1,143	-	377
Telephone	244	1,891	-	2,717
Housing assistance	-	-	45,306	-
Utilities	-	1,069	-	185
Rent expense	(29,059)	3,828	-	2,428
Maintenance	(305)	(1)	-	-
Dues and subscriptions	(6,666)	-	-	10,973
Miscellaneous	11,697	-	-	-
Interest	41,060	-	-	-
Depreciation	-	-	-	-
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>TOTAL FUNCTIONAL EXPENSES</b>	<b>\$ 2,234,325</b>	<b>\$ 307,517</b>	<b>\$ 45,306</b>	<b>\$ 278,921</b>

<u>Program Services</u>			<u>Supporting Services</u>		
<u>CHC</u>	<u>Client Assistance</u>	<u>Innovations</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
\$ 9,329,376	\$ 121,432	\$ 159,260	\$ 164,676	\$ -	\$ 11,167,373
1,227,683	12,692	17,074	21,902	-	1,412,945
885,162	22,452	20,254	24,633	8	1,189,832
<u>11,442,221</u>	<u>156,576</u>	<u>196,588</u>	<u>211,211</u>	<u>8</u>	<u>13,770,150</u>
9,046	-	-	-	-	107,224
11,743	3,000	-	-	-	73,252
6,088,318	-	-	-	-	6,088,318
150,157	-	-	-	-	150,157
283,110	-	-	-	-	526,908
31,465	-	-	-	-	37,684
311,815	-	-	-	-	342,651
(383)	-	-	-	-	51,102
1,773	-	-	-	3,780	5,779
396,849	8,086	-	-	200	461,966
354,803	53,540	-	-	-	718,844
280	-	-	-	1,960	16,549
866,579	-	-	-	-	866,579
159,208	2,925	1,288	-	-	182,686
3,462,093	-	23,726	-	-	3,485,819
145,742	8,646	-	241	36	179,905
126,886	33,479	4,592	-	592	171,373
60,109	-	2,059	19,221	-	81,081
17,596	-	3,809	101,839	-	174,269
774,012	19,679	13,087	5,085	-	850,383
32,814	(225)	-	4,243	-	43,530
114,902	-	3,691	6,212	-	129,657
2,519	-	-	-	-	47,825
142,231	-	3,686	18,135	-	165,306
565,659	726	61,624	4,184	-	609,390
123,163	-	9,501	1,482	-	133,840
113,508	-	195	-	-	118,010
38,577	4,195	7,073	35	38,649	100,226
89,090	-	-	-	-	130,150
215,482	-	-	207,932	-	423,414
<u>\$ 26,131,367</u>	<u>\$ 290,627</u>	<u>\$ 330,919</u>	<u>\$ 579,820</u>	<u>\$ 45,225</u>	<u>\$ 30,244,027</u>

See accompanying notes to financial statements.

# HopeHealth, Inc.

## Statements of Cash Flows

	<b>Year Ended December 31,</b>	
	<b>2014</b>	<b>2013</b>
<b>CASH FLOW FROM OPERATING ACTIVITIES:</b>		
Increase in net assets	\$ 2,478,602	\$ 718,451
Adjustments to reconcile increase in net assets to cash provided by operating activities:		
Depreciation	458,029	423,414
(Increase) decrease in grants receivable	(118,722)	674,533
(Increase) decrease in patients receivable	386,515	(1,327,248)
Increase in other programs receivable	(1,248,177)	(753,709)
Increase in inventory	(211,573)	(163,516)
Decrease in prepaid expenses	4,615	14,287
Increase in accounts payable and accrued expenses	135,751	1,605,234
Increase (decrease) in deferred revenue	(597)	21,191
	<u>1,884,443</u>	<u>1,212,637</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of property and equipment	<u>(707,126)</u>	<u>(1,047,724)</u>
<b>NET CASH USED BY INVESTING ACTIVITIES</b>		
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from long-term debt	342,945	342,945
Payments on long-term debt	<u>(582,414)</u>	<u>(221,966)</u>
<b>NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES</b>		
	<u>(239,469)</u>	<u>120,979</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		
	937,848	285,892
Beginning cash and cash equivalents	<u>668,559</u>	<u>382,667</u>
<b>ENDING CASH AND CASH EQUIVALENTS</b>		
	<u>\$ 1,606,407</u>	<u>\$ 668,559</u>
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:</b>		
Interest paid	<u>\$ 119,803</u>	<u>\$ 130,150</u>

See accompanying notes to financial statements.

# HopeHealth, Inc.

## Notes to Financial Statements

### December 31, 2014 and 2013

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#### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### Nature of Activities

HopeHealth, Inc. (the Organization) is a Federally Qualified Health Center providing comprehensive primary and preventative healthcare to the Florence area. The mission of HopeHealth is to increase access to healthcare to improve the health status of the underserved and vulnerable populations in the community. HopeHealth has become one of the leading public health providers in the Pee Dee, Edisto and Lower Savannah regions providing a comprehensive range of health and human service resources to provide the very best patient care, prevention and support services. One of the leading programs of the organization is providing practical and emotional support to persons with AIDS and HIV infection through specialty healthcare, education, prevention services and advocacy.

##### Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting with accounting principles generally accepted in the United States of America.

##### Cash and Cash Equivalents

Cash consists of demand deposits with local financial institutions. The balance of accounts at the financial institutions is insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2014 and 2013, the Organization's uninsured balances totaled \$1,279,244 and \$161,697, respectively.

##### Inventories

Inventories are valued at the lower of cost (first in, first out method) or market and consist of prescription drugs.

##### Property and Equipment

Property and equipment are capitalized at cost when acquired and depreciated over their useful lives under the straight-line method of depreciation.

##### Revenue

The Organization receives a majority of its funding from the sale of prescription drugs in an on-site pharmacy operating under the 430(b) Public Health Service Act. The Organization receives funding from the South Carolina Department of Health and Environmental Control as a pass-through entity. The Organization is a sub-recipient of federal grants including the Ryan White/CARE and Housing Opportunities for Persons with AIDS (HOPWA) Grants. The Organization also receives direct funding from the U.S. Department of Health and Human Services for the Community Health Center grant and the Ryan White Title III Early Intervention services grant.

##### 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

##### Financial Statement Presentation

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. In addition, the Organization is required to present a statement of cash flows.

##### Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted depending upon the existence or nature of any donor restrictions.

**HopeHealth, Inc.**  
**Notes to Financial Statements - - Continued**  
**December 31, 2014 and 2013**

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**NOTE B - GRANTS RECEIVABLE**

Grants receivable represents funding requests that were made during the year that had not been remitted to the Organization by December 31. Grants receivable consist of the following:

	<b>December 31,</b>	
	<b>2014</b>	<b>2013</b>
Ryan White	\$ -	\$ 152,806
HOPWA	82,247	125,628
MAI	9,083	6,700
CHC	4,000	157,462
Prevention	81,242	35,983
Hep C	138,912	14,790
SAMSHA	296,607	-
PCMH	<u>38,958</u>	<u>38,958</u>
	<u>\$ 651,049</u>	<u>\$ 532,327</u>

**NOTE C - PROPERTY AND EQUIPMENT**

Property and equipment consist of the following:

	<b>December 31,</b>	
	<b>2014</b>	<b>2013</b>
Land	\$ 460,267	\$ 460,267
Building	2,768,568	2,768,568
Leasehold improvements	83,634	83,634
Equipment	2,227,442	2,019,637
Construction in progress	666,483	167,161
Accumulated depreciation	<u>(1,708,127)</u>	<u>(1,250,097)</u>
	<u>\$ 4,498,267</u>	<u>\$ 4,249,170</u>

**NOTE D - RISK MANAGEMENT**

The Organization is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Organization maintains insurance coverage for each of these risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Organization. Settled claims have not exceeded this coverage in any of the past three fiscal years.

**NOTE E - CONCENTRATIONS**

The Organization received more than 17% of its revenues from federal agencies either through direct programs or pass-through grants from the South Carolina Department of Health and Environmental Control.

# HopeHealth, Inc.

## Notes to Financial Statements - - Continued

### December 31, 2014 and 2013

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#### NOTE F - OPERATING LEASES

The Organization leases equipment and office space under several operating leases. Lease payments for 2014 and 2013 were \$800,282 and \$554,549, respectively. Approximate minimum future rental payments required under these leases are as follows:

2015	\$ 532,312
2016	584,207
2017	405,063
2018	<u>358,119</u>
	<u>\$ 1,879,701</u>

#### NOTE G - PHYSICIAN CONTRACT

The Organization contracted with physicians to provide services to its clients. The contract stipulates that the physicians will be paid on an hourly basis. The contract is renegotiated on an annual basis.

#### NOTE H - EMPLOYEE BENEFIT PLAN

The Organization has implemented a safe harbor 401(k) salary deferral plan covering substantially all employees. Under the plan, the Organization contributes three percent of each eligible employee's salary. Plan expenses incurred by the Organization were \$252,572 and \$120,407 for the year ended December 31, 2014 and 2013, respectively.

#### NOTE I - LONG-TERM DEBT

An installment note due to a financial institution for the addition to a building. The monthly payments are \$3,252, including interest computed at an annual rate of 6.75%. The final payment is scheduled for October 2015. The note is collateralized by the building addition, which has an approximate carrying value of \$544,900 and \$559,900 at December 31, 2014 and 2013, respectively.

	December 31,	
	2014	2013
	\$ 179,726	\$ 205,490

Bond payable for the purchase of land and building. The revenue bond was issued through the South Carolina Jobs-Economic Development Authority. The bond bears interest at 4.51% and is payable monthly through June 1, 2028. The bond is collateralized by all land, building equipment, leases, rents, and profits.

	1,353,135	1,422,900
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An installment note due to a financial institution for the purchase of a building. The monthly payments are \$3,104, including interest computed at an annual rate of 6.75%. The final payment is scheduled for July 2015. The note is collateralized by the building, which has an approximate carrying value of \$448,000 and \$455,000 at December 31, 2014 and 2013, respectively.

	364,728	376,570
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**HopeHealth, Inc.**  
**Notes to Financial Statements - - Continued**  
**December 31, 2014 and 2013**

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**NOTE I - LONG-TERM DEBT - - Continued**

	<b>December 31,</b>	
	<b>2014</b>	<b>2013</b>
An installment note due to a financial institution for computer software. The monthly payments are \$3,447, including interest computed at an annual rate of 6.0%. The final payment is scheduled for May 2015. The note is collateralized by computer software which has an approximate carrying value of \$7,700 and \$40,400 at December 31, 2014 and 2013, respectively.	17,803	56,982
An installment note due to a financial institution for computer software. The monthly payments are \$9,722 and \$1,566, including interest computed at an annual rate of 1.3277%. The final payment is scheduled for July 2016. The note is collateralized by computer software which has an approximate carrying value of \$257,200 at December 31, 2014 and 2013, respectively.	233,158	296,126
Capital lease for the purchase of computer equipment. The monthly payments are \$1,753, including interest computed at an annual rate of 7.7%. The final payment was made in June 2014. The lease was collateralized by the computer equipment, which had an approximate carrying value of \$30,000 at December 31, 2013.	-	8,318
Capital lease for the purchase of telephone system. The monthly payments are \$941, including interest computed at an annual rate of 2.66%. The final payment was made in February 2015. The lease was collateralized by the telephone system, which had an approximate carrying value of \$14,700 at December 31, 2013.	-	2,645
Capital lease for the purchase of computer equipment. The monthly payments are \$1,216, including interest computed at an annual rate of 6.9%. The final payment is scheduled for November 2016. The lease is collateralized by the computer equipment, which has an approximate carrying value of \$23,500 and \$35,800 at December 31, 2014 and 2013, respectively.	26,071	40,735
Capital lease for the purchase of computer equipment. The monthly payments are \$1,582, including interest computed at an annual rate of 18.31%. The final payment was made in April 2014. The lease was collateralized by the computer equipment, which had an approximate carrying value of \$17,500 at December 31, 2013.	-	4,324
	<u>2,174,621</u>	<u>2,414,090</u>
Less current maturities	<u>777,000</u>	<u>268,600</u>
	<u>\$ 1,397,621</u>	<u>\$ 2,145,490</u>



**HopeHealth, Inc.**  
**Notes to Financial Statements - - Continued**  
**December 31, 2014 and 2013**

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**NOTE I - LONG-TERM DEBT - - Continued**

The estimated annual requirements to amortize all debt outstanding as of December 31, 2014, including interest estimated at \$485,049 is as follows:

<u>Year Ended December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 777,000	\$ 87,809	\$ 864,809
2016	172,000	56,941	228,941
2017	81,000	52,337	133,337
2018	84,800	48,606	133,406
2019	88,700	44,702	133,402
Thereafter	<u>971,121</u>	<u>194,654</u>	<u>1,165,775</u>
	<u>\$ 2,174,621</u>	<u>\$ 485,049</u>	<u>\$ 2,659,670</u>

**NOTE J - INCOME TAXES**

**Uncertain Tax Position**

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except on net income derived from unrelated business activities. The Organization does not have any income it considers to be subject to tax on unrelated business income. The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

**NOTE K - SUBSEQUENT EVENTS**

Subsequent events have been evaluated through the date their financial statements were available to be issued September 30, 2015. Other than the following matters, the Organization is not aware of any material subsequent events which would require recognition or disclosure in the accompanying financial statements.

The Organization is in the process of constructing a new building in Florence, South Carolina with a total project cost of \$11,127,251. The land on which the building is to be located was donated by the City of Florence having a market value of \$1,140,000. Construction expenses incurred through December 31, 2013 were \$666,483.

**OMB'S CIRCULAR A-133--COMPLIANCE**

**BURCH, OXNER, SEALE CO.**  
**CERTIFIED PUBLIC ACCOUNTANTS**  
**A PROFESSIONAL CORPORATION**

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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY  
OMB CIRCULAR A-133**

To the Board of Directors  
HopeHealth, Inc.  
Florence, South Carolina

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

We have audited HopeHealth, Inc.'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 HopeHealth, Inc.'s major federal programs for the year ended December 31, 2014. HopeHealth, Inc.'s major federal programs are identified in the summary of auditors' 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 HopeHealth, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 HopeHealth, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of HopeHealth, Inc.'s compliance.

**Opinion on Each Major Federal Program**

In our opinion, HopeHealth, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2014.

**Report on Internal Control Over Compliance**

Management of HopeHealth, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered HopeHealth, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances

for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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 HopeHealth, Inc.'s internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

#### **Schedule of Expenditures of Federal Awards**

We have audited the financial statements of HopeHealth, Inc., which comprise the statement of financial position as of and for the year ended December 31, 2014, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements. We issued our report thereon dated September 30, 2015, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A133, and is not a required part of the basic 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 basic 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

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 purposes.

  
Florence, South Carolina

September 30, 2015

**HopeHealth, Inc.**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended December 31, 2014**

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<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity's Identifying Number</u>	<u>Federal Expenditure</u>
<b><u>U.S. Department of Housing and Urban Development:</u></b>			
Pass-through S.C. Department of Health and Environmental Control - Housing Opportunities for Persons with AIDS	14.241	PH-8-383	\$ <u>225,568</u>
<b>TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>			<u>225,568</u>
<b><u>U.S. Department of Health and Human Services:</u></b>			
Direct Program:			
Ryan White Title III	93.918	3H76HA00789B0	697,404
Community Health Centers	93.224	90CCU423935	<u>3,253,212</u>
<b>SUBTOTAL</b>			<u>3,950,616</u>
Pass-through S.C. Department of Health and Environmental Control			
Ryan White/CARE	93.917	37156	1,461,455
Minority AIDS Initiative	93.917	-	<u>40,778</u>
<b>SUBTOTAL</b>			<u>1,502,233</u>
AIDS Prevention and Risk Reduction	93.940	-	196,118
SC Wisewoman	93.094	-	4,489
Centers for Disease Control and Prevention	93.283	-	61,164
Capacity Building Initiative for Substance Abuse	93.243	1U795P018045-01	344,214
Assistance Programs for Chronic Disease Prevention	93.945		<u>7,500</u>
<b>TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			<u>613,485</u>
<b>TOTAL FEDERAL AWARDS</b>			<u>\$ 6,291,902</u>

**NOTE A - BASIS PRESENTATION**

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

See independent auditors' report on federal awards.

# HopeHealth, Inc.

## Schedule of Findings and Questioned Costs

### Year Ended December 31, 2014

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#### A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unmodified opinion on the financial statements of HopeHealth, Inc., Florence, South Carolina.
2. No significant deficiencies relating to the audit of the financial statements are reported in the Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.
3. No instances of noncompliance material to the basic financial statements of HopeHealth, Inc. were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the Report on Compliance for each Major Program and on Internal Control over Compliance Required by OMB Circular A-133.
5. The auditors' report on compliance for the major federal award programs expresses an unmodified opinion.
6. No audit findings relative to the major federal award programs for HopeHealth, Inc. are reported in this Schedule.
7. The programs tested as major programs include:  
  
U.S. Department of Health and Human Services – Ryan White/Care - CFDA Number 93.917, AIDS Prevention and Risk Reduction – CFDA Number 93.940 and Housing Opportunities for Persons with AIDS – CFDA Number 14.241.
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. HopeHealth, Inc. was determined to be a low-risk auditee.

#### B. FINDINGS - FINANCIAL STATEMENT AUDIT

None

#### C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

None

See independent auditors' report on schedule of federal awards.

**HopeHealth, Inc.**  
**Summary Schedule of Prior Audit Findings**  
**Year Ended December 31, 2014**

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In accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States, the following is the status of known material findings and recommendations from prior year audits:

None

**BURCH, OXNER, SEALE CO.**  
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**A PROFESSIONAL CORPORATION**

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**INDEPENDENT AUDITORS' 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**

To the Board of Directors  
HopeHealth, Inc.  
Florence, 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 HopeHealth, Inc., 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 September 30, 2015.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered HopeHealth, Inc.'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 HopeHealth, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of HopeHealth, Inc.'s internal control over financial reporting.

*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 over financial reporting 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 HopeHealth, 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*.



**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.

*Batch, Gyner, Heale Co, CPAs, PA*

Florence, South Carolina