NEW HORIZON FAMILY HEALTH SERVICES, INC.

FINANCIAL STATEMENTS
INCLUDING INDEPENDENT AUDITORS' REPORT

FOR THE YEARS ENDED JANUARY 31, 2019 AND 2018

NEW HORIZON FAMILY HEALTH SERVICES, INC.
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Independent Auditors' Report

To the Board of Directors
New Horizon Family Health Services, Inc.
Greenville, South Carolina

We have audited the accompanying financial statements of New Horizon Family Health Services, Inc. (a nonprofit health care entity), which comprise the statements of financial position as of January 31, 2019 and 2018 and the related statements of operations and changes in net assets, 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 New Horizon Family Health Services, Inc. as of January 31, 2019 and 2018 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.

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Emphasis of Matter

As discussed in Note 1 to the financial statements, in the year ended January 31, 2019, New Horizon Family Health Services, Inc. adopted Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958) Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Other Matters

Other Information

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 is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 25, 2019, on our consideration of New Horizon Family Health Services Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of New Horizon Family Health Service, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering New Horizon Family Health Services, Inc.'s internal control over financial reporting and compliance.

Dixon Hughes Goodman LLP

Greenville, South Carolina
September 25, 2019

NEW HORIZON FAMILY HEALTH SERVICES, INC.
STATEMENTS OF FINANCIAL POSITION
JANUARY 31, 2019 AND 2018

	2019	2018
Assets		
Current Assets		
Cash and Cash Equivalents	$ 35,344	$ 212,721
Patient Service Accounts Receivable, Net	1,032,598	1,189,463
Estimated Retroactive Adjustments - Thrid Party Payors	542,192	782,482
Accounts Receivable - Other	273,328	198,842
Inventory	308,103	288,761
Prepaid Expenses	420,069	125,981
Other Assets	5,261	5,261
Total Current Assets	2,616,895	2,803,511
Property and Equipment, Net	16,560,966	17,706,626
Other Assets		
Deposits	357	357
Total Other Assets	357	357
Total Assets	$ 19,178,218	$ 20,510,494
Liabilities and Net Assets		
Current Liabilities		
Accounts Payable	$ 837,045	$ 1,157,367
Notes Payable, Net - Current Portion	848,506	845,381
Accrued Liabilities - Payroll	720,022	638,513
Accrued Vacation Payable	411,698	444,465
Total Current Liabilities	2,817,271	3,085,726
Long-Term Liabilities		
Notes Payable, Net - Non-Current Portion	12,990,216	13,838,710
Total Long-Term Liabilities	12,990,216	13,838,710
Total Liabilities	15,807,487	16,924,436
Net Assets		
Without Donor Restrictions	2,852,943	3,046,468
With Donor Restrictions	517,788	539,590
Total Net Assets	3,370,731	3,586,058
Total Liabilities and Net Assets	$ 19,178,218	$ 20,510,494

See Notes to Financial Statements

NEW HORIZON FAMILY HEALTH SERVICES, INC.
STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JANUARY 31, 2019 AND 2018

	2019			2018		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**	**Without Donor Restrictions**	**With Donor Restrictions**	**Total**
Revenues, Support and Operating Gains						
Patient Service Revenue						
Patient Service Revenue, Net of Contractual Allowances and Discounts	$ 19,335,464	$ -	$ 19,335,464	$ 18,598,425	$ -	$ 18,598,425
Provision for Bad Debts	(975,969)	-	(975,969)	(1,048,030)	-	(1,048,030)
Total Net Patient Service Revenue	18,359,495	-	18,359,495	17,550,395	-	17,550,395
Government Grants	6,496,937	-	6,496,937	6,559,255	-	6,559,255
Contributions and Other Grants	193,170	35,000	228,170	243,642	20,800	264,442
Contributed Drugs for Indigent Patients	-	216,092	216,092	-	152,985	152,985
Contributed Services	265,514	-	265,514	225,374	-	225,374
Other Revenue	183,850	-	183,850	159,484	-	159,484
Net Assets Released from Restrictions Used for Operations	272,894	(272,894)	-	230,476	(230,476)	-
Total Revenues, Support and Operating Gains	25,771,860	(21,802)	25,750,058	24,968,626	(56,691)	24,911,935
Expenses						
Healthcare Services	19,616,996	-	19,616,996	19,215,207	-	19,215,207
Supporting Services						
General and Administrative	6,348,578	-	6,348,578	6,360,290	-	6,360,290
Total Expenses	25,965,574	-	25,965,574	25,575,497	-	25,575,497
Operating Income (Loss)	(193,714)	(21,802)	(215,516)	(606,871)	(56,691)	(663,562)
Non-Operating Gains and Losses						
Interest Income	189	-	189	253	-	253
Total Non-Operating Gains and Losses	189	-	189	253	-	253
Change in Net Assets	(193,525)	(21,802)	(215,327)	(606,618)	(56,691)	(663,309)
Net Assets, Beginning of Year	3,046,468	539,590	3,586,058	3,653,086	596,281	4,249,367
Net Assets, End of Year	$ 2,852,943	$ 517,788	$ 3,370,731	$ 3,046,468	$ 539,590	$ 3,586,058

See Notes to Financial Statements

NEW HORIZON FAMILY HEALTH SERVICES, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JANUARY 31, 2019 AND 2018

	2019	2018
Cash Flows from Operating Activities		
Changes in Net Assets	$ (215,327)	$ (663,309)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	1,074,339	916,287
Amortization	5,285	48,725
Provisions for bad debts	(975,969)	1,048,030
Changes in Assets and Liabilities:		
Patient Service accounts receivable	1,132,833	(1,157,828)
Estimated Retroactive Adjustments-Third party payors	240,290	(773,815)
Inventory	(19,342)	(7,663)
Accounts Receivable - Other	(74,486)	396,572
Prepaid Expenses	(294,087)	44,994
Accounts Payable	(126,680)	468,137
Accrued payroll and related liabilities	48,742	(83,217)
Net cash provided (used) by operating activities	795,598	236,913
Cash Flows from Investing Activities		
Purchase of capital Assets, net of disposals	(122,321)	(59,788)
Net cash provided (used) by investing activities	(122,321)	(59,788)
Cash Flows from Financing Activities		
Proceeds from Notes Payable	-	14,600,000
Repayment of notes payable	(850,654)	(15,464,559)
Net cash provided (used) by financing activities	(850,654)	(864,559)
Net increase (decrease) in cash and cash equivalents	(177,377)	(687,434)
Cash and Cash Equivalents, beginning of year	212,721	900,155
Cash and Cash Equivalents, end of year	$ 35,344	$ 212,721
Supplemental disclosures of cash flow information		
Cash Paid for interest	$ 516,651	$ 451,945

See Notes to Financial Statements

NEW HORIZON FAMILY HEALTH SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

Nature of Activities:

New Horizon Family Health Services, Inc. (the Organization) is a 501(c)(3) not-for-profit corporation. It operates four comprehensive ambulatory, family health care facilities, a dental office, a mobile medical unit and a mobile dental unit. The Organization provides comprehensive health care services to residents of Greenville, South Carolina and the surrounding areas.

Financial statement presentation:

The financial statements of the Organization are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). The Organization reports information regarding its financial position and activities according to two (2) classes of net assets as follows:

Net Assets Without Donor Restrictions

Net assets that are not subject to donor-imposed stipulations and that may be expended for any purpose in achieving the primary objectives of the Organization and available for operations.

Net Assets with Donor Restrictions

Net assets may subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be used for a specific purpose or met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed into service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Contributions:

Contributions received are recorded as support with donor restrictions or without donor restrictions depending on the existence and/or nature of any donor restrictions. Restricted support is reclassified as net assets without donor restrictions on expiration or fulfillment of the donor restrictions. If the restriction is satisfied in the year of the contribution, it is treated as without donor restrictions.

In-kind contributions and donated services:

Donated inventory and in-kind gifts are recognized as contributions at their estimated fair value on the date they are received.

Donated services are recognized as contributions if the services (*a*) create or enhance nonfinancial assets, or (*b*) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization.

Patient Service Accounts Receivables:

Accounts receivable are stated at the net realizable amounts due from patients, third-party payors, and others for services rendered, including estimated retroactive adjustment under reimbursement agreements. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in a future period as final settlements are determined.

The Medicare program pays the Organization a per visit payment under its new prospective payment system (PPS) adjusted by a geographic adjustment per encounter since July 1, 2015. The South Carolina Medicaid program pays the Organization a per visit payment under its prospective payment system (PPS) and an adjusted cost amount for eligible non-core services.

1. Summary of Significant Accounting Policies (Continued)

Substantially all of the Organization's accounts receivable are related to providing healthcare services to patients. Collection of these accounts receivable is the Organization's primary source of cash and is critical to operating performance. The Organization's primary collection risks relate to uninsured patients and outstanding patient balances for which the primary and secondary insurance has paid some, but not all of the outstanding balance, with the remaining outstanding balance (generally deductibles and copayments) owed by the patient.

The process of estimating the allowance for doubtful accounts requires the Organization to estimate the collectability of patient accounts receivable, which is primarily based on collection history, adjusted for expected recoveries. Collections are impacted by the economic ability of patients to pay and the effectiveness of collection efforts. Significant changes in payor mix, economic conditions, or trends in federal and state governmental healthcare coverage could affect the collection of accounts receivable.

The allowance for doubtful accounts was $212,674 and $146,169, for the years ended January 31, 2019 and 2018, respectively.

Revenue:

Grants

The Organization recognizes Federal grant awards when they are earned. Thus, Federal grants awarded are recognized only to the extent that allowable grant expenses have been incurred. Federal grant funds received prior to incurring allowable grant program expenses are recorded as deferred grant revenue. Deferred grant revenue at the grant program ending date is refundable to the Federal government or may be carried over to the subsequent grant period at the discretion of the Federal government. There was no deferred Federal grant revenue as of January 31, 2019 and 2018.

The Organization is also the recipient of cost reimbursement grant money from various organizations. The revenue is recognized as the specified costs described in the grant agreement are incurred. Amounts collected in advance of incurring specified cost are reflected as deferred revenue. There were not amounts recorded as deferred grant revenue at January 31, 2019 and 2018, respectively.

Third-party contractual adjustments

Retroactively calculated third-party contractual adjustments are accrued on an estimated basis in the period the related services are rendered. Net patient service revenue is adjusted as required in subsequent periods based on final settlements.

Net patient service revenue

Patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. For uninsured patients that do not qualify for charity care, the Organization recognizes revenue on the basis of its standard rates for services provided. On the basis of historical experience, a significant portion of uninsured patients will be unable or unwilling to pay for services provided. Thus, the Organization records a significant provision of bad debts related to these services.

Performance indicator:

The performance indicator is operating income. Changes in net assets which are excluded from operating income include interest income and the change in the fair value of financial instruments, This is consistent with industry practice.

Charity care:

The Organization has a policy of providing charity care to patients who are unable to pay. Such patients are identified, and related charges are estimated, based on financial information obtained from the patient and subsequent analysis. Since management does not expect payment for charity care, the estimated charges are excluded from net revenue.

1. Summary of Significant Accounting Policies (Continued)

Cash and cash equivalents:

Any short-term investment with an original maturity of three months or less is considered to be a cash equivalent.

Other assets:

Other assets include assets whose use is limited, consisting of a bank account for employee morale. The account is funded primarily from employee contributions.

Inventory:

Purchased inventory, consisting primarily of pharmaceuticals and other supplies, is stated at the lower of cost (first-in, first-out) or market. Donated inventory is stated at estimated fair market value.

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 net assets with donor restrictions to net assets without donor restrictions at that time.

Property and equipment purchases are recorded at cost. Effective November 18, 2016, the Organization capitalizes all non-expendable property acquisitions of $5,000 or more. 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. Repairs and maintenance are charged to operations. The useful lives are as follows:

Buildings and Improvements	7 to 40 Years
Furniture and Equipment	5 to 20 Years
Leasehold Improvements	Lease Term
Vehicles	5 to 8 Years

Property acquired is considered owned by the Organization. However, the United States Government has a reversionary interest in property purchased with Federal funds or acquired through government appropriations; therefore, its disposition as well as ownership of any proceeds therefore is subject to Federal regulations.

Income tax status:

The Organization qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and therefore, has no provision for federal and state income taxes. Management has concluded that no material uncertain tax positions or unrecognized tax benefits exist. The Organization's policy is to report accrued interest related to unrecognized tax benefits, when applicable, as interest expense and to report penalties as other expense. Income tax returns for the three most recently filed tax returns are open to examination by tax authorities

1. Summary of Significant Accounting Policies (Continued)

Unamortized debt issuance costs:

Unamortized debt issuance costs represent the costs related to the issuance of the debt obligation and are included as a direct deduction from the face amount of the related note payable. Substantially all of these amounts are being amortized using the straight-line method over the terms of the related obligation and are reported as interest expense in the statement of operations.

Advertising costs:

Advertising costs, consisting primarily of advertisement of services offered by the Organization, are expensed as incurred. Advertising expense for the years ended January 31, 2019 and 2018 was $20,140 and $6,120, respectively.

Expense allocation:

Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of periodic time and expense studies. General and administrative expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

Estimates:

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

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.

Change in Accounting Principle:

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14*, Not-For-Profit Entities (topic 958) – Presentation of Financial Statements of Not-For-Profit Entities.* The update addresses the complexity and understandability of net asset classifications, deficiencies in information about liquidity and availability of resources and the lack of consistency in the type of information provided about expenses and investment return. New Horizon has implemented ASU 2016-14 in the current year and has adjusted the presentation in these financial statements accordingly for all periods presented.

2. Funds on Deposit

The Organization maintains its cash balances with three (3) financial institutions. At January 31, 2019, the Organization had no uninsured balances in excess of Federal Deposit Insurance Corporation (FDIC) limits.

3. Liquidity and Availability

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following as of January 31:

	2019	2018
Financial Assets at year-end:		
Cash and Cash Equivalents	$ 35,344	$ 212,721
Patient Service Accounts Receivable, Net	1,032,598	1,189,463
Estimated Retroactive Adjustments	542,192	782,482
Accounts Receivable - Other	273,328	198,842
Financial assets available to meet cash needs for general expenditures with-in one year	$ 1,883,462	$ 2,383,508

As part of the liquidity management plan, the Organization holds cash in FDIC insured accounts to the extent of such insurance.

4. Estimated Retroactive Adjustments

The Organization provides health care services to Medicare and Medicaid patients. Reimbursements for covered services are based on tentative payment rates. Actual reimbursements are determined after the submission of annual cost reports which are reviewed or audited by the intermediaries. A provision for estimated reimbursement adjustments is reported in the financial statements in the period that the services are provided. In the opinion of management, adequate provision has been made for adjustments that may result from such audits, appeals, and final settlements. The final settlements are estimated and recorded in the financial statements in the year in which they occur. The estimated receivable at January 31, 2019 and 2018 respectively was $542,192 and $782,482.

5. Patient Service Accounts Receivable

Accounts receivable balances for patient service fees at January 31 are summarized as follows:

	2019	2018
Patient Service Fees Receivable	$ 990,269	$ 998,495
Pharmacy Receivables	255,003	337,137
Less: Allowance for Contractual Adjustments and Uncollectible Accounts	(212,674)	(146,169)
Patient Service Accounts Receivable, Net	$ 1,032,598	$ 1,189,463

6. Property and Equipment

A summary of property and equipment is as follows at January 31:

	2019	2018
Land	$ 532,000	$ 532,000
Building and Improvements	18,497,757	18,497,757
Furniture, Fixtures and Equipment	3,377,092	3,531,296
Vehicles	336,066	316,449
	22,742,915	22,877,502
Less: Accumulated Depreciation	(6,181,949)	(5,170,876)
Property and Equipment, Net	$ 16,560,966	$ 17,706,626

For the years ended January 31, 2019 and 2018, depreciation expense was $1,074,339 and $916,287, respectively. Capitalized interest of $849,689 at January 31, 2019 and 2018 is included above.

7. Notes Payable

The terms and due dates of the Organization's notes payable are as follows at January 31:

	2019	2018
Mortgage note payable to South Carolina Community Loan Fund in the amount of $1,027,546 with principal and interest payments of $8,671 due in sixty (60) monthly installments at a fixed rate of 6.0%. The Note is secured by real estate and matures in May 2020.	$ 862,619	$ 913,273
Mortgage payable to South Carolina Jobs-Economic Development Authority, bearing interest at a rate of 2.20%, matured in November 2017, with new terms as of November 1, 2017 with an interest rate of 3.02%, quarterly principal payments of $200,000 and matures November, 2022.	12,982,710	13,782,710
Total Notes Payable	13,845,329	14,695,983
Unamortized Debt Issuance Costs	(6,607)	(11,892)
Total Obligations, Net	$ 13,838,722	$ 14,684,091
Less Current Portion	(848,506)	(845,381)
Total Notes Payable, Net - Non-Current Portion	$ 12,990,216	$ 13,838,710

7. Notes Payable (Continued)

On November 1, 2012, the South Carolina Jobs-Economic Development Authority (SCJEDA) issued $16,000,000 Series 2012 revenue bonds pursuant to a bond purchase and loan agreement dated November 1, 2012, with SCJEDA, Wells Fargo Bank, NA, and the Organization. The Series 2012 bonds are governed by an Indenture of Trust and related agreements. The bond proceeds were loaned, via a note payable, to the Organization for the purpose of constructing a new facility which collateralizes the loan. The note bears interest of 2.20 percent per annum. The terms of the agreement required monthly interest only payments until April 1, 2015. At that time, annual principal payments of $800,000 were due in four quarterly installments of $200,000. The bonds are supported by a credit support agreement issued by Greenville Health System Board of Trustees ("GHS"). Under the terms of the credit support agreement, GHS has the option to make payments on behalf of the Organization to prevent default. The Organization would be obligated to repay GHS for any amounts paid on its behalf. On November 1, 2017, the Organization refinanced the outstanding balance of $14,600,000 with a note that bears interest of 3.02% per annum. The terms of this agreement require annual principal payments of $800,000 due in four quarterly installments of $200,000 and matures on November 1, 2022. The mortgage is secured by the land, improvements, easements or other interests together with assignment of leases and fixtures and personal property acquired and affixed to the property.

The Organization is subject to various financial and non-financial covenants under these debt agreements. As of January 31, 2019, management is not aware of any violations of the covenants.

As of January 31, 2019, and 2018, unamortized debt issuance costs was $6,607 and $11,892, respectively. Amortization included in interest expense in the statement of operations was $5,285 for 2019 and $48,725 for 2018, and is expected to be $5,285 for 2020, and $1,322 for 2021.

Maturity of notes payable principal balances outstanding as of January 31 are as follows:

2020	$ 853,791
2021	1,608,828
2022	11,382,710
	$ 13,845,329

8. Operating Leases

The Organization leases a clinic facility in Greer, South Carolina on a fifteen 15 year lease, expiring September 2026, for $8,734 per month and land located at 130 Mallard Street, Greenville, South Carolina on a ten (10) year extended lease for $1 per year, expiring in 2026. The Organization also has several multi-year leases of office equipment such as copiers and postage machines.

Total operating lease expense for the years ended January 31, 2019 and 2018 was $146,249 and $158,457, respectively.

Minimum future lease payments under operating leases for the years ending January 31:

2020	$ 133,015
2021	114,211
2022	104,809
2023	104,809
2024	104,809
Thereafter	384,298
Total	$ 945,951

9. Net Assets with Donor Restrictions

Donor restricted net assets as of January 31, represent the following donations or grants received for specific purposes:

	2019	2018
Donations received for a specific purpose:		
Land restricted for Community Health Center	$ 400,000	$ 400,000
Pharmaceuticals for Indigent Patients	102,333	121,476
Mobile Dental Unit	5,493	5,493
Respite Care Program	6,871	11,871
Choose Well Program	3,050	-
Patient Transportation	41	750
Total Net Assets with Donor Restrictions	$ 517,788	$ 539,590

Net assets released from restrictions by incurring expenses satisfying restricted purposes for the years ended January 31:

	2019	2018
Pfizer Corporation - Pharmaceuticals for Indigent Patients	$ 235,235	$ 169,767
Mobile Dental Unit	-	2,668
New Morning Foundation - Choose Well program	6,950	-
Greenville Forward - Prescription Assistance and Transport	709	-
Colorectal Cancer Screening Project	25,000	29,912
Respite Care Program	5,000	28,129
Total Released From Restrictions	$ 272,894	$ 230,476

Land listed above as donor restricted consist of a parcel of land required to be held in perpetuity and used only for medical offices and treatment facilities.

10. Government Grants

Government grants consist of the following for the years ended January 31:

	2019	2018
U.S. Department of Health and Human Services		
Direct	$ 6,162,674	$ 5,874,705
Pass-Through *AID Upstate*	-	45,833
Appalacian Regional Commission		
Increasing Behavioral Health Access for Vulnerable Populations	-	185,811
State of South Carolina	334,262	452,906
Total Government Grants	$ 6,496,936	$ 6,559,255

11. Net Patient Service Revenue

The Organization has agreements with third-party payors that provide payments to the Organization at amounts different from its established rates. A summary of the payment agreements with third-party payors follows:

Medicare:

Medical services rendered to Medicare program beneficiaries are paid under a cost-based reimbursement system. The Organization is reimbursed at a tentative ("interim") rate, with final settlement determined after submission of the annual cost report by the Organization and audit thereof by the fiscal intermediary.

Medicaid:

Medical services rendered to Medicaid beneficiaries are paid under a cost-based reimbursement system. The Organization is reimbursed at a tentative ("interim") rate, with final settlement determined after submission of the annual cost report by the Organization and audit thereof by the fiscal intermediary.

Other third-party payors:

The Organization has also entered into reimbursement agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for reimbursement under these agreements includes prospectively determined rates per discharge, discounts from established charges and prospectively determined per diem rates.

12. Concentration of Risk

The Organization has the option to grant credit to its patients. A substantial percentage is insured under third-party payor agreements.

The percentages of receivables from patients and third-party payors were as follows as of January 31:

	2019	2018
Medicare	26%	17%
Medicaid	21%	19%
Other Third-Party Payors	30%	28%
Patients	23%	36%
	100%	100%

12. Concentration of Risk (Continued)

The percentages of revenue from patients and third-party payors were as follows for the years ended January 31:

	2019	2018
Medicare	17%	17%
Medicaid	25%	22%
Other Third-Party Payors	27%	36%
Patients	31%	25%
	100%	100%

Approximately 25 percent and 24 percent of total revenues, support and operating gains were attributable to Federal awards during the years ended January 31, 2019 and 2018, respectively.

13. In-Kind Contributions

Pfizer Corporation, Inc. provided in-kind donations of pharmaceuticals for indigent patients. The estimated fair value of the donated items was $216,092 for year ended January 31, 2019 and $152,985 for the year ended January 31, 2018. Employees of Greenville Hospital Systems provided in-kind support services to the patients of New Horizon Family Health Services, Inc. The estimated fair value of the services for the years ended January 31, 2019 and 2018 was $155,014 and $155,014, respectively. LabCorp provided in-kind lab services to the patients of New Horizon Family Health Services, Inc. The estimated fair value of the services for the years ended January 31, 2019 and 2018 was $110,500 and $70,360, respectively.

These amounts have been recorded as contributed services and as healthcare services expenses in the statement of operations and changes in net assets.

14. Retirement Plan

The Organization sponsors a retirement plan through salary reductions for all full-time employees. Employees are immediately eligible to make elective deferrals. After one year of employment, the Organization makes discretionary matching contributions of 100 percent match of employees' elective deferrals up to 4 percent of compensation. Retirement plan contributions for the years ended January 31, 2019 and 2018, were $242,566 and $241,008, respectively.

15. Litigation Claims

The Organization is subject to claims from litigation such as medical malpractice. Management feels that its professional and general liability insurance is adequate to cover any such claims. The Bureau of Primary Health Care has deemed the Organization to be an employee of the Federal Government for the purpose of professional liability protection under the Federal Tort Claims Act (FTCA). FTCA coverage is comparable to an “occurrence” policy without a monetary cap.

16. Subsequent Events

The Organization evaluated subsequent events through the date of the auditors’ report, which is the date the financial statements were available to be issued.

In April 2019, New Horizon was awarded a new Ryan White Part B Sub-Award from the South Carolina Department of Health and Environmental Control in the amount of $323,252. This is for the performance period April 1, 2019 – March 31, 2020.

17. Functional Expenses

Expenses for the fiscal year ended January 31, 2019 have been allocated by management according to function as follows:

	Healthcare Services	General and Administrative	Total
Salaries	$ 7,803,394	$ 3,672,185	$ 11,475,579
Supplies	6,348,529	405,226	6,753,755
Other Professional Fees	1,015,451	328,874	1,344,325
Other Benefits	917,085	515,861	1,432,946
Depreciation	300,814	773,525	1,074,339
Payroll Taxes and Benefits	546,825	257,329	804,154
Interest Expense	520,033	1,903	521,936
Patient Care Services	528,644	-	528,644
Utilities	105,009	85,829	190,838
Retirement Benefits	228,012	14,554	242,566
In-Kind Expense - Donated Drugs	163,918	-	163,918
Telephone and Communication	156,480	-	156,480
Non-Capital Equipment	49,399	-	49,399
In-Kind Expense - Services	265,514	-	265,514
Facilities Rent	98,357	46,370	144,727
Repairs and Maintenance	70,468	33,161	103,629
Travel Expenses	59,384	3,790	63,174
Taxes and Licenses	-	25,726	25,726
Insurance	44,522	20,951	65,473
Trianing	49,050	27,590	76,640
Bank and Credit Card Fees	236,928	15,123	252,051
Dues and Subscriptions	-	32,990	32,990
Other Occupancy	24,208	5,678	29,886
Postage	817	12,793	13,610
Other Expenses	50,461	23,748	74,209
Advertising and Public Relations	18,932	1,208	20,140
Board Expenses	10,130	-	10,130
Printing	2,787	43,677	46,464
Rental Expense	1,036	487	1,523
Recruitment and Retention	809	-	809
Total	19,616,996	6,348,578	25,965,574

17. Functional Expenses (Continued)

Expenses for the fiscal year ended January 31, 2018 have been allocated by management according to function as follows:

	Healthcare Services	General and Administrative	Total
Salaries	$ 7,773,565	$ 3,658,148	$ 11,431,713
Supplies	6,269,494	400,181	6,669,675
Other Professional Fees	1,148,388	371,928	1,520,316
Other Fringe Benefits	936,407	526,729	1,463,136
Depreciation	256,560	659,727	916,287
Payroll Taxes and Benefits	551,785	259,663	811,448
Interest Expense	496,765	3,905	500,670
Patient Care Services	556,243	35,504	591,747
Utilities	110,339	90,186	200,525
Retirement Benefits	226,548	14,460	241,008
In-Kind Expense - Donated Drugs	143,806	9,179	152,985
Telephone and Communication	154,747	-	154,747
Non-Capital Equipment	147,158	-	147,158
Facilities Rent	93,009	62,005	155,014
Repairs and Maintenance	101,062	47,644	148,706
Travel Expenses	83,124	39,117	122,241
In-Kind Expense - Services	31,184	17,541	48,725
Taxes and Licenses	-	30,735	30,735
Insurance	52,622	24,763	77,385
Trianing	42,882	24,120	67,002
Bank Fees	39,301	2,509	41,810
Dues and Subscriptions	-	46,812	46,812
Other Occupancy	27,631	6,481	34,112
Postage	871	13,649	14,520
Other Expenses	(54,377)	(25,591)	(79,968)
Advertising and Public Relations	5,753	367	6,120
Board Expenses	8,971	-	8,971
Printing	2,387	37,407	39,794
Rent	6,631	3,120	9,751
Recruitment and Retention	2,352	-	2,352
Total	$ 19,215,207	$ 6,360,289	$ 25,575,497

SUPPLEMENTARY INFORMATION

NEW HORIZON FAMILY HEALTH SERVICES, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JANUARY 31, 2019

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Grantor's Number	Federal Expenditures
U.S. Department of Health and Human Services			
Direct Programs:			
Health Center Cluster			
Consolidated Health Centers	93.224	H80CS00578	$ 1,747,209
Affordable Care Act (ACA) Grants for New and Expanded Services under the Health Center Program	93.527	H80CS00578	3,783,931
Total Health Center Cluster			5,531,140
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	93.918	H76HA00542	631,535
Total U.S. Department of Health and Human Services			$ 6,162,674
Total Expenditures of Federal Awards			$ 6,162,674

NEW HORIZON FAMILY HEALTH SERVICES, INC.
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

1. Basis of Presentation

The schedule of expenditures of federal awards (the Schedule) includes the federal grants activity of New Horizon Family Health Services, Inc. under programs of the federal government for the year ended January 31, 2019. The information is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of New Horizon Family Health Services, Inc., it is not intended to and does not present the financial position, changes in net assets or cash flows of New Horizon Family Health Services, Inc.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. New Horizon Family Health Services, Inc. has elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

DARVERKELLY LLP
CERTIFIED PUBLIC ACCOUNTANTS

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*

To the Board of Directors
New Horizon Family Health Services, Inc.
Greenville, 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 New Horizon Family Health Services, Inc. (a nonprofit health care entity), which comprise the statement of financial position as of January 31, 2019 and the related statement of operations and changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 25, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered New Horizon Family Health Services, 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 New Horizon Family Health Services, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of New Horizon Family Health Services, Inc.'s internal control.

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control that we considered to be a material weakness (2019-001).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether New Horizon Family Health Services, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item (2019-002).

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New Horizon Family Health Services, Inc.'s Response to Findings

New Horizon Family Health Services, Inc.'s response to the findings identified in our audit is described in the accompanying corrective action plan. New Horizon Family Health Service, Inc.'s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

Dixon Hughes Goodman LLP

Greenville, South Carolina
September 25, 2019

Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by The Uniform Guidance

To the Board of Directors
New Horizon Family Health Services, Inc.
Greenville, South Carolina

Report on Compliance for Each Major Federal Program

We have audited New Horizon Family Health Services, Inc.'s (The Organization) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended January 31, 2019. 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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 January 31, 2019.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2019-002. Our opinion on each major federal program is not modified with respect to this matter.

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New Horizon Family Health Services, Inc.'s response to the noncompliance finding identified in our audit is described in the accompanying corrective action plan. New Horizon Family Health Services, Inc.'s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we considered to be a material weakness. However, we did identify a deficiency in internal control over compliance, described in the accompanying schedule of findings and questioned costs as 2019-002 that we considered to be a significant deficiency.

New Horizon Family Health Services, Inc.'s response to the internal control over compliance finding identified in our audit is described in the accompanying corrective action plan. New Horizon Family Health Services, Inc.'s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

DavetKelly LLP

Greenville, South Carolina
September 25, 2019

NEW HORIZON FAMILY HEALTH SERVICES, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JANUARY 31, 2019

Part I Summary of Auditors' Results:

Financial Statements

Type of Auditors' Report Issued:	Unmodified
Internal Control Over Financial Reporting:	
Material Weakness(es) Identified?	__X__ Yes _____ No
Significant Deficiencies Identified That Are Not Considered To Be Material Weaknesses	_____ Yes __X__ None Reported
Noncompliance Material to Financial Statements Noted	_____ Yes __X__ No

Federal Awards

Internal Control Over Major Federal Programs:	
Material Weakness(es) Identified?	_____ Yes __X__ No
Significant Deficiencies Identified That Are Not Considered To Be Material Weaknesses	__X__ Yes _____ None Reported
Type of Auditors' Report Issued on Compliance for Major Federal Programs:	Unmodified

Programs Tested as Major Programs:

Program:	CFDA #:
Health Center Cluster	
Consolidated Health Centers	93.224
Affordable Care Act Grants for New and Expanded Services under the Health Center Program	93.527

Dollar Threshold used to Distinguish Between Type A and Type B Programs:	$750,000
Auditee Qualify as Low-Risk Auditee?	_____ Yes __X__ No
Any Audit Findings Disclosed That are Required To Be Reported in Accordance With Government Auditing Standards 2 CFR 200.516(a)	__X__ Yes _____ No

NEW HORIZON FAMILY HEALTH SERVICES, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JANUARY 31, 2019

Section II - Financial Statement Findings

Finding 2019-001 Accounts Payable (Material Weakness)

Condition and Criteria: Generally Accepted Accounting Principles require that liabilities of the organization, that are known and measurable, should be recorded in the period when they are incurred. Accounts payable included seven (7) instances totaling $72,339 of accounts payable transactions recorded to the incorrect period.

Cause: One (1) payable was recorded twice and six (6) invoices were improperly included in accounts payable at year end.

Effect: Improper recording of accounts payable at a cut-off period may result in an overstatement or understatement of the Organization's liabilities and related expenses.

Recommendation: We recommend that personnel responsible for the recording and reconciliation of financial accounts be properly trained and monitored in the process of reconciling the accounts payable balance and in the evaluation of liabilities based on the receipt of goods and services to ensure proper recording. This process should be reviewed at the end of each reporting period.

Section III - Federal Award Findings and Questioned Costs

Finding 2019-002 Sliding Fee Discounts (Significant Deficiency)
Health Center Cluster – CFDA 93.224, 93.527

Condition and Criteria: Health Centers receiving this funding must prepare and apply a sliding fee discount so that the amounts owed for health center services by eligible patients are adjusted (discounted) based on the patient's ability to pay using the Federal Poverty Guidelines (FPG). The Centers are required to apply a full discount to fees for services to individuals with annual incomes at or below 100 percent of the FPG and prorated for incomes between 100 and 200 percent of the FPG.

Cause: In our sample of forty (40) patient accounts, including sixteen (16) sliding fee patients tested, the Organization applied the wrong sliding fee scale to one (1) patient and five (5) patients had missing or incomplete documentation to support their income or application.

Effect: The Organization could charge an incorrect fee or apply a discount in error.

Recommendation: We recommend that the Organization continue to perform quality control inspections of sliding fee documentation and eligibility determinations to improve results.

NEW HORIZON FAMILY HEALTH SERVICES, INC.
PRIOR AUDIT FINDINGS:

Finding 2018-001 Bank Reconciliations for Cash Accounts (Material Weakness)

Condition and Criteria: Cash accounts were not accurately or timely reconciled to the bank statements for the respective accounts.

Status: The organization took steps to properly reconcile the bank accounts. This condition did not exist during the current year.

Finding 2018-002 Accrued Salaries, Salary Expense (Material Weakness)

Condition and Criteria: Generally accepted accounting principles require that salary expense be matched to the period in which it is incurred. Salary expense was not properly computed or recorded as of January 31, 2018. An additional $82,711 in salary expense had to be recorded as of January 31, 2018.

Status: The organization took steps to properly compute and record accrued salaries and salary expense. This condition did not exist during the current year.

Finding 2018-003 Fixed Assets, net of Accumulated Depreciation (Material Weakness)

Condition and Criteria: Generally Accepted Accounting Principles require that a schedule of fixed assets and depreciation schedule agree to the general ledger and the physical inventory of those assets.

Status: The organization took steps to properly compute and record depreciation and accumulated depreciation. This condition did not exist during the current year.

Finding 2018-004 In-Kind Contributions (Significant Deficiency)

Condition and Criteria: Generally Accepted Accounting Principles require that In-Kind Contributions be recorded at fair-value of the services when rendered. The Organization did not record $70,360 in donated lab fees.

Status: The organization took steps to properly record In-Kind Contributions. This condition did not exist during the current year.

Finding 2018-005 Sliding Fee Discounts (Significant Deficiency)
Health Center Cluster – CFDA 93.224, 93.527

Condition and Criteria: Health Centers must prepare and apply a sliding fee discount so that the amounts owed for health center services by eligible patients are adjusted (discounted) based on the patient's ability to pay using the Federal Poverty Guidelines (FPG) and applying a full discount to fees for services to individuals with annual incomes at or below 100 percent of the FPG and prorated for incomes between 100 and 200 percent of the FPG.

Status: See Finding 2019-02 – Finding repeated in current year.

New Horizon Family Health Services, Inc.
Corrective Action Plan
January 31, 2019

Prepared by New Horizon Family Health Services, Inc.

Finding 2019-001 Accounts Payable (Material Weakness)

Condition and Criteria: Generally Accepted Accounting Principles require that liabilities of the organization, that are known and measurable should be recorded as of a specific date. Accounts payable included seven (7) instances totaling $72,339.18 of accounts payable transactions recorded to the incorrect period.
Cause: One (1) payable was recorded twice and six (6) invoices were improperly included in accounts payable at year end.

Views of Responsible Officials and Planned Corrective Actions: Accounting Technician will be trained to record and post all service invoices for dates subsequent to the invoice date in prepaid accounts. The Accounting Supervisor will add these transactions to the monthly adjusting entry used for recognizing expenses in the prepaid accounts.

Person Responsible: Stephen Glenn, CFO

Anticipated Completion Date: During the 2019/2020 Fiscal Year

Finding 2019-002 Sliding Fee Discounts (Significant Deficiency)

Condition and Criteria: Health Centers must prepare and apply a sliding fee discount so that the amounts owed for health center services by eligible patients are adjusted (discounted) based on the patient's ability to pay using the Federal Poverty Guidelines (FPG) and applying a full discount to fees for services to individual with annual incomes at or below 100 percent of the FPG and prorated for incomes between 100 and 200 percent of the FPG.
Cause: In our sample of forty (40) patient accounts, including sixteen (16) sliding fee patients tested, the Organization applied the wrong sliding fee scale to one (1) patient and five (5) patients had some missing or incomplete documentation to support their income or application.

Views of Responsible Officials and Planned Corrective Actions: Plans are in place to upgrade the qualifications and pay scale for front desk positions in order to attract more capable and competent individuals. The Practice Manager who serves as the direct supervisor of front desk staff at the Faris Road and Dental sites has been changed. All Managers responsible for supervision of the front desk staff are receiving training on HRSA Health Center Program Compliance requirements for the sliding fee Discount Program. This training will be ongoing. The Quality Management and Compliance Department will increase the frequency of internal audits. Front desk staff and their immediate supervisors will be provided with feedback regarding the results. Plans for required performance improvement, including the provision of additional training, will be developed and monitored for completion. Instances of repeated deficiencies will result in corrective action up to and including termination where indicated. All front desk staff will be required to participate in mandatory biannual training pertaining to the Sliding Fee Discount program. The Revenue Cycle Manager is communicating directly with the supervisors of front desk staff whenever any error is found in the Revenue Cycle department to ensure appropriate action is taken.

Person Responsible: Kori Brashier, Administrative Service and Operations Development Direction

Anticipated Completion Date: During the 2019/2020 Fiscal Year