

**Robeson Health Care Corporation**

**Financial Statements**

**For the Fiscal Year Ended June 30, 2019**

**Robeson Health Care Corporation**

**Financial Statements**

**For the Fiscal Year Ended June 30, 2019**

Members of the Board

Bobby C. Townsend  
Chairperson

Bernice Graham  
Peggy Hunt  
Sheena Hunt

Denise Hunt  
Henry Shamburger  
Darlene Jacobs

Ryan Sampson  
Sharon Breeden

Administrative Official

Tim Hall  
President and Chief Executive Officer

**Robeson Health Care Corporation**  
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**June 30, 2019**

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# S. Preston Douglas & Associates, LLP

CERTIFIED PUBLIC ACCOUNTANTS

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### Independent Auditor's Report

Board of Directors  
Robeson Health Care Corporation  
Pembroke, North Carolina

#### **Report on the Financial Statements**

We have audited the accompanying financial statements of Robeson Health Care Corporation (a non-profit organization), which are comprised of the balance sheet as of June 30, 2019, and the related statements of activities, functional expenses, and cash flows for the fiscal year 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 the 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 audit 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 of 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 controls. 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 evaluation 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

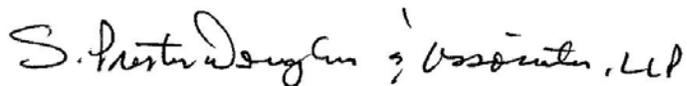
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Robeson Health Care Corporation at June 30, 2019, and the results of its activities and its cash flows for the fiscal year then ended in conformity with accounting principles 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 detailed schedules of functional expenses, as well as the accompanying Schedule of Expenditures of Federal Awards as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are 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 Requirements by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated November 15, 2019, on our consideration of Robeson Health Care Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. 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 Robeson Health Care Corporation's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "S. Preston Douglas & Associates, LLP".

Lumberton, North Carolina  
November 15, 2019

# Robeson Health Care Corporation

## Balance Sheet

June 30, 2019

	<u>2019</u>
<b><u>Assets</u></b>	
<b>Current assets</b>	
Cash and cash equivalents	\$ 5,011,147
Accounts receivable, net of estimated uncollectibles of \$518,130	363,245
Other receivables	412,301
Inventory	231,348
Prepaid expenses	198,560
<b>Total current assets</b>	<u>6,216,601</u>
<b>Property and equipment, net</b>	<u>10,491,488</u>
<b>Total assets</b>	<u>\$ 16,708,089</u>
<b><u>Liabilities and Net Assets</u></b>	
<b>Current liabilities</b>	
Accounts payable	\$ 386,411
Accrued expenses	433,806
Accrued vacation	264,650
Deferred revenue	5,907
Current portion of long-term debt, including capital leases	205,504
<b>Total current liabilities</b>	<u>1,296,278</u>
<b>Long-term debt, including long-term capital leases</b>	<u>5,746,326</u>
<b>Total liabilities</b>	<u>7,042,604</u>
<b>Net assets</b>	
Without donor restrictions:	
Undesignated	9,665,485
With donor restrictions	-
<b>Total net assets</b>	<u>9,665,485</u>
<b>Total liabilities and net assets</b>	<u>\$ 16,708,089</u>

The accompanying notes are an integral part of these financial statements

**Robeson Health Care Corporation**  
**Statement of Operations**  
**For the Fiscal Year Ended June 30, 2019**

	<u>For the Fiscal Year Ended June 30, 2019</u>		
	<u>Without Donor</u>	<u>With Donor</u>	<u>Total</u>
	<u>Restrictions</u>	<u>Restrictions</u>	
<b>Support and revenue</b>			
Grant support	\$ -	\$ 5,874,567	\$ 5,874,567
Contracted services	5,950,219	-	5,950,219
Interest	595	-	595
Other	8,762	-	8,762
Net patient service revenue:			
Private (including sliding fee)	6,713,634	-	6,713,634
Medicaid	4,425,890	-	4,425,890
Medicare	2,081,165	-	2,081,165
	<u>19,180,265</u>	<u>5,874,567</u>	<u>25,054,832</u>
Less - disallowances and adjustments	(4,354,864)	-	(4,354,864)
Less - provision for bad debts	(143,847)	-	(143,847)
	<u>14,681,554</u>	<u>5,874,567</u>	<u>20,556,121</u>
Assets released from restrictions	<u>5,874,567</u>	<u>(5,874,567)</u>	<u>-</u>
<b>Total support and revenue</b>	<u>20,556,121</u>	<u>-</u>	<u>20,556,121</u>
<b>Expenses</b>			
Program services	15,970,878	-	15,970,878
Management and general	3,573,272	-	3,573,272
<b>Total expenses</b>	<u>19,544,150</u>	<u>-</u>	<u>19,544,150</u>
<b>Increase (decrease) in net assets</b>	1,011,971	-	1,011,971
<b>Net assets - beginning of year</b>	<u>8,653,514</u>	<u>-</u>	<u>8,653,514</u>
<b>Net assets - end of year</b>	<u><u>\$ 9,665,485</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 9,665,485</u></u>

The accompanying notes are an integral part of these financial statements

**Robeson Health Care Corporation**  
**Statement of Functional Expenses**  
**For the Fiscal Year Ended June 30, 2019**

	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
Salaries and wages	\$ 7,521,506	\$ 1,812,981	\$ 9,334,487
Fringe benefits	2,168,118	449,672	2,617,790
Supplies	3,013,288	104,730	3,118,018
Depreciation	-	394,314	394,314
Occupancy	1,218,544	59,758	1,278,302
Insurance	86,896	47,850	134,746
Interest	247,242	5,283	252,525
Telephone, postage, and freight	13,897	4,599	18,496
Contract work	746,877	258,842	1,005,719
Repairs and maintenance	205,457	256,571	462,028
Training and continuing education	158,171	63,354	221,525
Travel	36,512	19,631	56,143
Recruiting and advertising	54,233	50,908	105,141
Publications and miscellaneous supplies	106,260	34,812	141,072
Other	393,877	9,967	403,844
	<u>\$ 15,970,878</u>	<u>\$ 3,573,272</u>	<u>\$ 19,544,150</u>

The accompanying notes are an integral part of these financial statements

**Robeson Health Care Corporation**  
**Statement of Cash Flows**  
**For the Fiscal Year Ended June 30, 2019**

<b>Cash flows from operating activities</b>	
Cash received from patients and third-party payers	\$ 8,796,775
Cash received in the form of government financial assistance	5,937,914
Cash received in the form of contracted services	5,886,371
Cash paid to employees for services	(11,980,494)
Cash paid for goods and services	(6,979,226)
Other revenue	<u>9,858</u>
<b>Net cash provided (used) by operating activities</b>	<u>1,671,198</u>
<b>Cash flows from capital and related financing activities</b>	
Acquisition and construction of capital assets	(2,442,105)
Loan Proceeds	2,118,856
Debt principal and capital lease repayments	<u>(335,748)</u>
<b>Net cash provided (used) by capital and related financing activities</b>	<u>(658,997)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	1,012,201
<b>Cash and cash equivalents - beginning of year</b>	<u>3,998,946</u>
<b>Cash and cash equivalents - end of year</b>	<u><u>\$ 5,011,147</u></u>
<b>Reconciliation of increase (decrease) in net assets to net cash provided (used) by operating activities:</b>	
<b>Increase (decrease) in net assets</b>	<u>\$ 1,011,971</u>
<b>Adjustments to reconcile excess change in net assets to cash provided (used) by operating activities -</b>	
Depreciation	394,314
Loss on disposal of assets	251,411
Changes in assets and liabilities -	
Net (increase) decrease in receivables, inventory, and prepaids	72,477
Net increase (decrease) in payables and accrued expenses	(30,758)
Increase (decrease) in deferred revenue and accrued vacation	<u>(28,217)</u>
<b>Total adjustments</b>	<u>659,227</u>
<b>Net cash provided (used) by operating activities</b>	<u><u>\$ 1,671,198</u></u>

The accompanying notes are an integral part of these financial statements

**Robeson Health Care Corporation**  
**Notes to Financial Statements**  
**June 30, 2019**

**Note A - Summary of Significant Accounting Policies**

**Organization and Revenue Sources**

Robeson Health Care Corporation is a non-profit family health care organization located in Robeson County, North Carolina. It is governed by an eight-member Board of Directors consisting of citizens that reside in the service area. The Corporation was formed in response to the overwhelming need for primary health services (including dentistry) in southern Robeson County. Robeson Health Care Corporation operates a medical care facility in each of the following North Carolina towns: Pembroke, Maxton, Fairmont, Star, Whiteville, Laurinburg, and Lumberton. Robeson Health Care Corporation offers medical-related services to all citizens located in the middle and southern portions of Robeson County, particularly to individuals who rely on government assistance. Robeson Health Care Corporation also manages six supervised living facilities for needy families in the following counties: Moore, Robeson (3), Pitt, and Johnston.

**Basis of Accounting**

Robeson Health Care Corporation. (the "Corporation") prepares its financial statements in conformity with generally accepted accounting principles in the United States of America (GAAP). Accordingly, income is recognized when earned and expenses when incurred. The Corporation reports information regarding its balance sheet and operations according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions are resources available to support operations and not subject to restrictions. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of the Corporation, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of operations.

Net assets with donor restrictions are resources that are subject to donor-imposed restrictions. Some restrictions are temporary in nature, such as those that are restricted by a donor for use for a particular purpose or in a particular future period. Other restrictions may be perpetual in nature, such as those that are restricted by a donor that the resources be maintained in perpetuity.

**Property and Equipment**

The cost of property and equipment is depreciated by the straight-line method for financial reporting purposes. The estimated useful lives used in the depreciation calculation are as follows:

Buildings	40 years
Furniture and equipment	5 - 20 years
Leasehold improvements	8 - 25 years

Expenditures for maintenance, repairs, renewals, and improvements, which do not materially extend the useful lives of the assets, are treated as charges to revenue in the period in which they are incurred. Depreciation expense for the year ended June 30, 2019 was \$394,314.

**Income Taxes**

The Corporation is exempt from federal income tax under Section 501(c)(3) of the U.S. Internal Revenue Code. However, income from certain activities not directly related to the Corporation's tax-exempt purpose could be subject to taxation as unrelated business income. In addition, the Corporation qualifies for the charitable contribution deduction under Section 170(b)(1)(3) and has been classified as an organization other than a private foundation under Section 509(a)(2).

**See independent auditor's report**

**Robeson Health Care Corporation**  
**Notes to Financial Statements (continued)**  
**June 30, 2019**

**Note A - Summary of Significant Accounting Policies (continued)**

**Income Taxes (continued)**

The Corporation's open audit periods are the fiscal years ended June 30, 2017 through June 30, 2019.

**Net Patient Service Revenue/Accounts Receivable**

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payers, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payers. Accounts receivable are stated at unpaid balances, less an allowance for uncollectible accounts using the allowance method.

**Cash and Cash Equivalents**

For the purposes of the Statement of Cash Flows, cash equivalents include time deposits, certificates of deposit, and all highly liquid debt instruments with original maturities of three months or less.

**Inventory**

Inventory is stated at lower of cost or market. Cost is determined by specific identification.

**Management Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at June 30, 2019, and revenue and expenses during the fiscal year then ended. Actual results could differ from those estimates.

**Concentrations of Credit Risk**

Financial instruments that potentially subject Robeson Health Care Corporation to concentrations of credit risk consist principally of cash deposits. Robeson Health Care Corporation generally limits its exposure to credit risk from balances on deposit in financial institutions in excess of the FDIC-insured limit. The FDIC insurance coverage is limited to \$250,000 per financial institutions. At year end, the Corporation's deposits had a carrying amount of \$5,011,147 and a bank balance of \$5,515,639. Of the bank balance, the Corporation exceeded the aforementioned limit by \$4,560,168 at June 30, 2019. At June 30, 2019, the Corporation's petty cash fund totaled \$2,989.

**Robeson Health Care Corporation**  
**Notes to Financial Statements (continued)**  
**June 30, 2019**

**Note B – Property and Equipment**

Property and equipment, net at June 30, 2019 consists of the following:

	<b>2019</b>
Land	\$ 616,048
Construction in progress	2,152,115
Buildings	7,712,931
Leasehold improvements	250,793
Furniture and equipment	1,191,416
Capital improvements	2,256,892
Vehicles	863,930
Subtotal	15,044,125
Less - accumulated depreciation	4,552,637
Property and equipment - net	\$ 10,491,488

**Note C - Operating Leases**

Robeson Health Care Corporation leases several facilities with unrelated third parties. Details of each operating lease, active at June 30, 2019, are described immediately below:

Pitt County facility is leased for \$19,200 per month thru August 31, 2020.

Lumberton clinic is leased for \$8,300 per month thru January 31, 2019.

Johnston County facility (apartments) is leased for \$15,200 per month thru March 31, 2026.

Moore County facility is leased for \$12,922.25 per month thru June 30, 2019.

Recovery Home clinical counseling room is leased for \$450 per month thru June 30, 2019.

Dr. A. J. Robinson Clinic is leased for \$2,975 per month thru August 1, 2020.

Recovery Home is leased for \$2,000 per month thru June 30, 2020.

All other facilities are leased on a month-to-month basis.

Building rent expense was \$798,907 for FY19.

Minimum lease payments by year are as follows:

2019	634,249
2020	569,636
2021	444,307
Thereafter	1,907,127

**See independent auditor's report**

**Robeson Health Care Corporation**  
**Notes to Financial Statements (continued)**  
**June 30, 2019**

**Note D – Long Term Debt**

Long-term debt consisted of the following as of June 30, 2019:

Note payable collateralized by a deed of trust on certain real estate. A short-term loan at year end was converted to an executed long-term debt instrument on February 23, 2012, which was refinanced at 4.40%, amortized over 25 years, payable in 120 monthly installments ending February 23, 2022.

Note payable collateralized by a deed of trust on certain real estate. Loan executed on September 22, 2017, which was financed at 4.75%, amortized over 5 years, payable in monthly installments ending September 22, 2022.

Note payable collateralized by a deed of trust on certain real estate. Loan executed on July 11, 2017, which was financed at 4.75%, amortized over 6 years, payable in monthly installments ending July 11, 2023.

Note payable collateralized by a deed of trust on certain real estate. Loan executed on October 26, 2018, which was financed at 4.35%, amortized over 5 years, payable in monthly installments ending October 26, 2023.

Total long-term debt	\$	5,905,089
Less - current portion		<u>187,562</u>
Long-term debt, net	\$	<u><u>5,717,527</u></u>

Principal payments are scheduled to be repaid in the following manner for the years ended June 30:

2020	\$	187,562
2021		207,768
2022		1,930,649
2023		814,077
2024		2,265,033
Thereafter		<u>500,000</u>
	\$	<u><u>5,905,089</u></u>

**Note E - Capital Leases**

The Corporation leases several pieces of equipment. Certain leases are accounted for as capital leases and are included in equipment at June 30, 2019:

Capital lease obligations at varying rates of imputed interest at .00169% collateralized by leased equipment with an amortized cost of \$46,741 at June 30, 2019. \$ 46,741

Lease payments are scheduled to be repaid in the following manner for the years ended June 30:

2020	\$	17,942
2021		17,942
2022		<u>10,857</u>
	\$	<u><u>46,741</u></u>

**See independent auditor's report**

**Robeson Health Care Corporation**  
**Notes to Financial Statements (continued)**  
**June 30, 2019**

**Note F – Retirement Plan**

The Corporation provides a retirement plan (the Plan), which provides employees with a systematic means of saving and investing for the future. Employees become eligible to participate under the Plan immediately, but they must work 20 hours or more per week. Participating employees may contribute up to 100 percent of their base pay by means of payroll deductions, subject to certain discrimination tests prescribed by the Internal Revenue Code and other limitations specified in the Plan. The Corporation contributes a matching amount based on 100 percent of employee's contribution up to the amount of four percent of the employee's compensation. The Corporation's required contribution to this plan was \$186,570 for the fiscal year ended June 30, 2019.

**Note G - Vacation Pay**

Robeson Health Care Corporation is obligated to pay, within certain limits, earned and accumulated employee vacation pay. Management has implemented certain limitations with regards to accumulated vacation pay. Therefore, under guidelines established under SFAS No. 43, 100% of accumulated vacation was accrued at June 30, 2019, and is reflected on the balance sheet in the amount of \$264,650.

**Note H - Functional Allocation of Expenses**

The costs of providing the various programs and activities have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**Note I – Deferred Revenue**

Deferred revenue is associated with certain pre-paid support/revenue, which in connection with accrual basis accounting, is recognized when earned. The amount of deferred revenue reflected on the statement of financial position at June 30, 2019 was \$5,907.

**Note J – Commitments and Contingencies**

Financial awards from federal, state and local governmental entities are subject to special compliance requirement audits. No provision has been made in the financial statements for any liability that may arise from such an audit. Also, no provision has been made in the financial statements for any potential disallowance resulting from noncompliance because the amount, if any, cannot be determined at this date.

**Note K – Insurance Coverage**

The Corporation has been deemed eligible under the Federally supported Health Center Assistance Acts of 1992 and 1995. Thus, all providers are covered by the provisions of the Federal Tort Claims Act.

**NOTE L – 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 ASU addresses the complexity and understandability of net asset classification, 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. The Corporation has implemented ASU 2016-14 and has adjusted the presentation in these financial statements accordingly.

**Note M – Subsequent Events**

Subsequent events were evaluated through November 15, 2019 which is the date the financial statements were available to be issued.

**See independent auditor's report**

**SUPPLEMENTARY INFORMATION**

**Robeson Health Care Corporation**  
**Detailed Schedule of Functional Expenses**  
**For the Fiscal Year Ended June 30, 2019**

	<b>Community Health Center</b>	<b>PCS</b>	<b>General and Administration</b>	<b>Total</b>
<b>Personnel</b>				
Salaries and wages	\$ 4,526,713	\$ 2,994,793	\$ 1,812,981	\$ 9,334,487
<b>Fringe benefits</b>	1,190,959	977,159	449,672	2,617,790
<b>Travel</b>	16,685	19,827	19,631	56,143
<b>Supplies</b>	2,725,477	287,811	104,730	3,118,018
<b>Contractual</b>				
Contract work	659,719	87,158	258,842	1,005,719
Repairs and maintenance	107,197	98,260	256,571	462,028
Interest	247,242	-	5,283	252,525
<b>Other</b>				
Occupancy	294,012	924,532	59,758	1,278,302
Insurance	27,627	59,269	47,850	134,746
Conferences	51,915	106,256	63,354	221,525
<b>Recruiting and advertising</b>	21,165	33,068	50,908	105,141
<b>Publications and miscellaneous supplies</b>	87,460	18,800	34,812	141,072
<b>Telephone, postage, and freight</b>	9,783	4,114	4,599	18,496
<b>Other expenses</b>	309,124	84,753	9,967	403,844
<b>Indirect costs</b>	2,384,995	1,383,085	(3,768,080)	-
<b>Depreciation of fixed assets</b>	-	-	394,314	394,314
<b>Total program expenses</b>	<u>\$ 12,660,073</u>	<u>\$ 7,078,885</u>	<u>\$ (194,808)</u>	<u>\$ 19,544,150</u>

See independent auditor's report

## **COMPLIANCE SECTION**

# S. Preston Douglas & Associates, LLP

CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS  
American Institute of CPAs  
N. C. Association of CPAs

## 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*

Robeson Health Care Corporation  
Pembroke, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standard*, issued by the Comptroller General of the United States, the accompanying basic financial statements of Robeson Health Care Corporation, as of and for the fiscal year then ended June 30, 2019, and the related notes to the financial statements, which collectively comprises Robeson Health Care Corporation's basic financial statements, and have issued our report thereon dated November 15, 2019.

### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Robeson Health Care Corporation'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 Robeson Health Care Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation'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 the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider material weaknesses. However, material weaknesses may exist that have not been identified.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Robeson Health Care Corporation'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 organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Lumberton, North Carolina  
November 15, 2019

Post Office Drawer 2339 • 907 N. Walnut Street • Lumberton, NC 28359 • Phone (910) 739-7523 • Fax (910) 739-5477  
Post Office Drawer 937 • 1103 West Broad Street • Elizabethtown, NC 28337 • Phone (910) 862-3768 • Fax (910) 862-6681  
Post Office Drawer 860 • 122 Memory Plaza • Whiteville, NC 28472 • Phone (910) 642-6692 • Fax (910) 642-2119

# S. Preston Douglas & Associates, LLP

CERTIFIED PUBLIC ACCOUNTANTS

## MEMBERS

American Institute of CPAs  
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### **Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance**

Robeson Health Care Corporation  
Pembroke, North Carolina

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

We have audited Robeson Health Care Corporation's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Robeson Health Care Corporation's major federal programs for the year ended June 30, 2019. Robeson Health Care Corporation's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs

#### **Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

#### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Robeson Health Care Corporation'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 Robeson Health Care Corporation'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 Robeson Health Care Corporation's compliance.

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

In our opinion, Robeson Health Care Corporation 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 June 30, 2019.

#### **Report on Internal Control over Compliance**

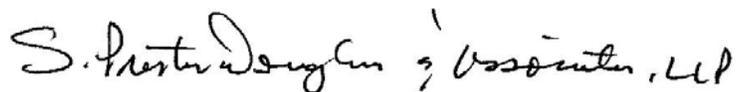
Management of Robeson Health Care Corporation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Robeson Health Care Corporation's internal 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 Robeson Health Care Corporation's internal control over compliance.

Robeson Health Care Corporation  
Pembroke, North Carolina  
Page Two

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

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

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



Lumberton, North Carolina  
November 15, 2019

**Robeson Health Care Corporation**  
**Schedule of Findings and Questioned Costs**  
**For the Fiscal Year Ended June 30, 2019**

<b>Section I. Summary of Auditor's Results</b>
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**Financial Statements**

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	_____ yes <u>  X  </u> no
• Significant deficiency(s) identified that are not considered to be material weaknesses	_____ yes <u>  X  </u> none reported
• Noncompliance material to financial statements	_____ yes <u>  X  </u> no

***Federal Awards***

Type of auditor's report issued on compliance for major federal programs:	Unmodified
Internal control over major federal programs:	
• Material weakness(es) identified?	_____ yes <u>  X  </u> no
• Significant deficiency(s) identified that are not considered to be material weaknesses	_____ yes <u>  X  </u> none reported
• Noncompliance material to federal awards	_____ yes <u>  X  </u> no
• Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516 (a)	_____ yes <u>  X  </u> no

Identification of major federal programs:

**CFDA Numbers**

93.224  
93.526

**Names of Federal Program or Cluster**

Community Health Centers  
Health Infrastructure Investment Program

Dollar Threshold used to distinguish between Type A and Type B programs

\$750,000

Auditee qualified as low-risk auditee?

  X   yes    \_\_\_\_\_ no

**Robeson Health Care Corporation**  
**Schedule of Findings and Questioned Costs (continued)**  
**For the Fiscal Year Ended June 30, 2019**

**Section II. Financial Statement Findings**

None reported

**Section III. Federal Award Findings and Questioned Costs**

None reported

**Robeson Health Care Corporation**  
**Corrective Action Plan**  
**For the Fiscal Year Ended June 30, 2019**

**Section II. Financial Statement Findings**

None reported

**Section III. Federal Award Findings and Questioned Costs**

None reported

**Robeson Health Care Corporation**  
**Summary Schedule of Prior Year Audit Findings**  
**For the Fiscal Year Ended June 30, 2019**

None reported

**Robeson Health Care Corporation**  
**Schedule of Expenditures of Federal and State Awards**  
**For the Fiscal Year Ended June 30, 2019**

Grantor/Pass - through Grant/Program Title	Federal CFDA Number	Award number/State Pass-through Grantor's Number	Federal (Direct Pass- through) Expenditures	State Expenditures
<b>Federal Grants:</b>				
<b>Cash Assistance:</b>				
Major Programs				
<u>U.S. Department of Health and Human Services</u>				
Direct Programs:				
Community Health Centers	93.224	H80CS00477-17/18	\$ 3,612,522	\$ -
Total Consolidated Health Center Cluster -			3,612,522	
Health Infrastructure Investment Program (HIIP)	93.526		1,000,000	
Total Major Programs			4,612,522	
Other federal assistance				
<u>U.S. Department of Health and Human Services</u>				
Direct Programs:				
Federal HRSA - Quality Improvement	93.224		25,606	
Access increases in Mental Health (AIMS)	93.224		35,449	
Substance Use Dirsorder and Mental Health (SUDS)	93.224		76,939	
Ryan White Part C Outpatient EIS Program	93.918		546,958	
Healthy Start	93.926		577,093	
Total federal and State awards			<u>\$ 5,874,567</u>	<u>\$ -</u>

Notes to the Schedule of Expenditures of federal and State Awards:

**Note 1: Basis of Presentation**

The schedule of expenditures of federal and State awards includes the federal and State grant activity of Robeson Healthcare Corporation and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U. S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal awards (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

**Note 2: Summary of Significant Accounting Policies**

Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**Note 3: Indirect Cost Rate**

Robeson Health Care Corporation has elected not to use the 10-percent de minimis indirect rate as allowed under the Uniform Guidance.