

**Tri-County Community Health Council, Inc.
(d/b/a CommWell Health)**

**Reports on Financial Statements,
Schedule of Expenditures of Federal
Awards, Internal Control and Compliance
(With Supplementary Information)**

Year Ended March 31, 2012

**Tri-County Community Health Council, Inc.
(d/b/a CommWell Health)**

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Report of Independent Public Accountants

To the Board of Directors
Tri-County Community Health Council, Inc.
(d/b/a CommWell Health)

We have audited the accompanying statement of financial position of Tri-County Community Health Council, Inc. (d/b/a CommWell Health) (the "Center") as of March 31, 2012, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Center's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Center as of March 31, 2012, and the changes in its net assets and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated November 8, 2012, on our consideration of the Center'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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of Federal and state awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, 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 schedule of expenditures of Federal and state awards is fairly stated in all material respects in relation to the financial statements as a whole.



New York, New York
November 8, 2012

TRI-COUNTY COMMUNITY HEALTH COUNCIL, INC.
(d/b/a CommWell Health)

STATEMENT OF FINANCIAL POSITION
MARCH 31, 2012

ASSETS

Current assets:		
Cash and cash equivalents	\$	988,911
Certificate of deposit - USDA		58,225
Patient services receivable, net		284,849
DHHS grants receivable		131,232
Contracts receivable		231,693
Inventory		347,799
Other receivables		82,514
		<hr/>
Total current assets		2,125,223
Property and equipment, net		<hr/> 7,667,509
		<hr/>
Total assets	\$	<u><u>9,792,732</u></u>

LIABILITIES AND UNRESTRICTED NET ASSETS

Current liabilities:		
Accounts payable and accrued expenses	\$	132,429
Accrued compensation		753,286
Refundable advances		180,053
Current portion of long-term debt		120,393
		<hr/>
Total current liabilities		1,186,161
Long-term debt, less current portion		<hr/> 3,715,717
		<hr/>
Total liabilities		4,901,878
Commitments and contingencies		
Net assets:		
Unrestricted net assets		<hr/> 4,890,854
		<hr/>
Total liabilities and unrestricted net assets	\$	<u><u>9,792,732</u></u>

See Notes to Financial Statements.

TRI-COUNTY COMMUNITY HEALTH COUNCIL, INC.
(d/b/a CommWell Health)

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED MARCH 31, 2012

Unrestricted revenue:	
DHHS grants	\$ 8,793,602
Patient services, net	5,853,552
Contract services and other grants	1,739,005
In-kind contributions	285,809
Other	<u>155,585</u>
Total unrestricted revenue	<u>16,827,553</u>
Expenses:	
Salaries and fringe benefits	10,211,224
Other than personnel services	3,647,036
Provision for bad debts	851,695
Interest	<u>212,466</u>
Total expenses	<u>14,922,421</u>
Increase in unrestricted net assets prior to depreciation and amortization and nonoperating activities	1,905,132
Depreciation and amortization	<u>514,001</u>
Increase in unrestricted net assets prior to nonoperating activities	<u>1,391,131</u>
Nonoperating activities:	
DHHS capital grant	336,536
Loss on sale of property and equipment	<u>(60,011)</u>
	<u>276,525</u>
Increase in unrestricted net assets	1,667,656
Unrestricted net assets:	
Beginning of year	<u>3,223,198</u>
End of year	<u><u>\$ 4,890,854</u></u>

See Notes to Financial Statements.

TRI-COUNTY COMMUNITY HEALTH COUNCIL, INC.
(d/b/a CommWell Health)

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED MARCH 31, 2012

	Program Services	General and Administrative	Total
Salaries and wages	\$ 6,967,402	\$ 1,922,734	\$ 8,890,136
Fringe benefits	1,055,915	265,173	1,321,088
Consultants and contractual services	844,618	106,257	950,875
Insurance	66,050	12,695	78,745
Professional fees	-	70,881	70,881
Consumable supplies	760,542	10,945	771,487
Occupancy	296,140	78,298	374,438
Repairs and maintenance	201,036	69,771	270,807
Equipment rental	219,463	192,767	412,230
Printing and publications	15,963	5,321	21,284
Dues and subscriptions	81,497	27,166	108,663
Travel, conferences and meetings	115,927	78,407	194,334
Continuing education	42,517	14,172	56,689
Recruitment and retention	88,720	29,573	118,293
Telephone	92,381	30,794	123,175
Interest expense	159,349	53,117	212,466
Provision for bad debts	851,695	-	851,695
Other	12,594	82,541	95,135
	11,871,809	3,050,612	14,922,421
Totals			
Depreciation and amortization	435,903	78,098	514,001
Total functional expenses	\$ 12,307,712	\$ 3,128,710	\$ 15,436,422

See Notes to Financial Statements.

TRI-COUNTY COMMUNITY HEALTH COUNCIL, INC.
(d/b/a CommWell Health)

STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31, 2012

Cash flows from operating activities:	
Cash received from DHHS grants	\$ 8,606,983
Cash received from patient services	5,115,728
Cash received from contract services and other grants	1,924,644
Cash received from other	114,528
Cash paid to employees	(10,131,868)
Cash paid to vendors	(3,816,813)
Cash paid for interest	(212,466)
Net cash provided by operating activities	<u>1,600,736</u>
Cash flow from investing activity - purchase of property and equipment	<u>(1,094,135)</u>
Cash flows from financing activities:	
Principal payments on long-term debt	(495,892)
Cash received from nonoperating DHHS grant	336,536
Net cash used in financing activities	<u>(159,356)</u>
Net increase in cash and cash equivalents	347,245
Cash and cash equivalents, beginning of year	<u>641,666</u>
Cash and cash equivalents, end of year	<u>\$ 988,911</u>
Reconciliation of increase in unrestricted net assets to net cash provided by operating activities:	
Increase in unrestricted net assets	\$ 1,667,656
Adjustments to reconcile increase in unrestricted net assets to net cash provided by operating activities:	
Depreciation and amortization	514,001
Provision for bad debts	851,695
Nonoperating DHHS grant	(336,536)
Loss on sale of property and equipment	60,011
Changes in operating assets and liabilities:	
Patient services receivable	(737,824)
DHHS grants receivable	108,785
Contracts receivable	87,410
Inventory	(74,370)
Other receivables	(41,057)
Accounts payable and accrued expenses	(381,216)
Accrued compensation	79,356
Refundable advances	(197,175)
Net cash provided by operating activities	<u>\$ 1,600,736</u>
Supplemental disclosure of non-cash activity:	
Payoff of old debt with issuance of new debt	<u>\$ 3,297,733</u>

See Notes to Financial Statements.

TRI-COUNTY COMMUNITY HEALTH COUNCIL, INC.
(d/b/a CommWell Health)

NOTES TO FINANCIAL STATEMENTS

Note 1 - Organization:

Tri-County Community Health Council, Inc. (d/b/a CommWell Health) (the "Center") operates health centers in Sampson, Johnston and Harnett counties, North Carolina. The Center provides a broad range of health and human services to a largely medically underserved population in the North Carolina townships of Newton, Grove, Salemburg, Dublin, Penderlea, Four Oaks, Isle Beach, Tar Heel, Harrells, Goldsboro, Smithfield, Clinton and Dunn.

The U.S. Department of Health and Human Services ("DHHS") provides substantial support to the Center. The Center is obligated under the terms of the DHHS grants to comply with specified conditions and program requirements set forth by the grantor.

Note 2 - Significant accounting policies:

Basis of presentation:

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

Use of estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Classification of net assets:

The Center reports information regarding its financial position and activities according to the following three categories:

Unrestricted net assets are not externally restricted for identified purposes by donors or grantors. Unrestricted net assets include resources that the governing board may use for any designated purpose and resources whose use is limited by agreement between the Center and an outside party other than a donor or grantor.

Temporarily restricted net assets are those whose use by the Center has been limited by donors to a specific purpose. When donor restrictions expire, that is, when a time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are recorded as net assets released from restrictions.

Permanently restricted net assets are assets whose use is limited by donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled or otherwise removed by actions of the Center. Generally, the donors of these assets permit the Center to use all or part of the income earned on related investments for general or specific purposes.

TRI-COUNTY COMMUNITY HEALTH COUNCIL, INC.
(d/b/a CommWell Health)

NOTES TO FINANCIAL STATEMENTS

Note 2 - Significant accounting policies (continued):

Classification of net assets (concluded):

There are no temporarily or permanently restricted net assets at March 31, 2012.

Cash and cash equivalents:

The Center maintains its cash and cash equivalents in bank deposit accounts which, at times, may exceed Federally insured limits. The Center has not experienced any losses in such accounts. At March 31, 2012, the Center's cash and cash equivalents balance exceeds Federally-insured limits by approximately \$276,000. All highly liquid investments with maturities of three months or less when purchased are considered to be cash equivalents.

Certificate of deposit - USDA:

The Center entered into a Rural Development loan agreement with the United States Department of Agriculture in 2001, for which they are required to make monthly deposits into a reserve account in an amount equal to ten percent of the Rural Development payment. The deposits are to be made on a monthly basis until the reserve account has an amount equal to the equivalent of one year of principal payments. At March 31, 2012, the reserve account balance of \$58,225 exceeded one year of principal payments.

Patient services receivable:

The collection of receivables from third-party payors and patients is the Center's significant source of cash for operations and is critical to its operating performance. The primary collection risks relate to uninsured patient accounts and patient accounts for which the primary insurance payor has paid, but patient responsibility amounts (deductibles and copayments) remain outstanding. Patient receivables from third-party payors are carried at a net amount determined by the original charge for the service provided, less an estimate made for contractual adjustments or discounts provided to third-party payors. Receivables due directly from patients are carried at the original charge for the service provided less discounts provided under the Center's charity care policy, less amounts covered by third-party payors and less an estimated allowance for doubtful receivables. Management determines the allowance for doubtful accounts by identifying troubled accounts and by historical experience applied to an aging of accounts. The Center considers accounts past due when they are outstanding beyond 60 days with no payment. The Center generally does not charge interest on past due accounts. Patient receivables are written off against the allowance for doubtful accounts when deemed uncollectable. Recoveries of receivables previously written off are recorded as a reduction of bad debt expense when received.

TRI-COUNTY COMMUNITY HEALTH COUNCIL, INC.
(d/b/a CommWell Health)

NOTES TO FINANCIAL STATEMENTS

Note 2 - Significant accounting policies (continued):

Property and equipment:

Property and equipment are recorded at cost, or, if donated, at the fair value at the date of donation. Depreciation and amortization are recorded on a straight-line basis over the estimated useful lives of the assets ranging from 5 to 40 years. Leasehold improvements are amortized on a straight-line basis over the estimated useful life of the improvement or the term of the lease, whichever is less. The Center capitalizes all purchases of property and equipment in excess of \$5,000 and with an estimated useful life of more than one year.

According to Federal regulations, any property and equipment items obtained through Federal funds are subject to a lien by the Federal government. Provided that the Center maintains its tax-exempt status and the property and equipment are used for their intended purpose, the Center is not required to reimburse the Federal government. If the stated requirements are not met, the Center would be obligated to the Federal government in an amount equal to the fair value of the property and equipment.

Maintenance, repairs and minor renewals are expensed as incurred. When assets are retired or otherwise disposed of, their costs and related accumulated depreciation and amortization are removed from the accounts and any resulting gains or losses are included in change in net assets.

Impairment of long-lived assets:

The Center reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In performing a review for impairment, the Center compares the carrying value of the assets with their estimated future undiscounted cash flows. If it is determined that impairment has occurred, the loss would be recognized during that period. The impairment loss is calculated as the difference between the asset's carrying value and the present value of estimated net cash flows or comparable market values, giving consideration to recent operating performance and pricing trends. The Center does not believe that any material impairment currently exists related to its long-lived assets.

Inventory:

Inventory consists primarily of pharmaceuticals and is stated at the lower of cost (determined by specific identification) or market.

Patient services revenue:

The Center has agreements with third-party payors that provide for payments to the Center at amounts different from its established rates. Payment arrangements include predetermined fee schedules and discounted charges. Service fees are reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered, including retroactive

TRI-COUNTY COMMUNITY HEALTH COUNCIL, INC.
(d/b/a CommWell Health)

NOTES TO FINANCIAL STATEMENTS

Note 2 - Significant accounting policies (continued):

Patient services revenue (concluded):

adjustments, if applicable, under reimbursement agreements with third-party payors, which are subject to audit by administering agencies. These adjustments are accrued on an estimated basis and are adjusted in future periods as final settlements are determined. The Center provides care to certain patients under Medicaid and Medicare payment arrangements. Laws and regulations governing the Medicaid and Medicare programs are complex and subject to interpretation. Compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action. Self-pay revenue is recorded at published charges with charitable care deducted to arrive at gross self-pay patient revenue. Contractual allowances are then deducted to arrive at net self-pay patient revenue.

Grants and contracts:

Revenue from government grants and contracts designated for use in specified activities is recognized in the period when expenditures have been incurred in compliance with the grantor's requirements. Grant and contracts awarded for the acquisition of long-lived assets are reported as unrestricted nonoperating revenue, in the absence of donor stipulations to the contrary, during the fiscal year in which the assets are acquired. Cash received in excess of revenue recognized is recorded as refundable advances. At March 31, 2012, the Center has received conditional grants and contracts from governmental entities in the aggregate amount of \$8,669,706 that have not been recorded in the accompanying financial statements as they have not yet been earned. These grants and contracts require the Center to provide certain services during specified periods. If such services are not provided, the governmental entities are not obligated to expend the funds allotted under the grants and contracts.

Contributions:

Contributions are recorded at fair value when received or pledged. Amounts are recorded as temporarily or permanently restricted revenue if they are received with donor stipulations that limit the use of the donated asset. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and are reported in the statement of activities and changes in net assets as net assets released from restriction. Donor-restricted contributions, whose restrictions expire during the same fiscal year, are recognized as unrestricted revenue. For the year ended March 31, 2012, there were no restricted contributions.

In-kind contributions:

In-kind contributions consist of donated pharmaceuticals, space rent and property, and are recorded at fair value in the statement of activities and changes in net assets as both revenue and expenses.

TRI-COUNTY COMMUNITY HEALTH COUNCIL, INC.
(d/b/a CommWell Health)

NOTES TO FINANCIAL STATEMENTS

Note 2 - Significant accounting policies (concluded):

Meaningful use incentives:

The American Recovery and Reinvestment Act of 2009 ("ARRA") amended the Social Security Act to establish one-time incentive payments under the Medicare and Medicaid programs for certain professionals that: (1) meaningfully use certified Electronic Health Record ("EHR") technology, (2) use the certified EHR technology for electronic exchange of health information to improve quality of healthcare, and (3) use the certified EHR technology to submit clinical and quality measures. These provisions of ARRA, together with certain of its other provisions, are referred to as the Health Information Technology for Clinical and Economic Health ("HITECH") Act. The criteria for meaningful use incentives will be staged in three steps over the course of the next four years and be paid out based on a transitional schedule. The Center's providers have met the criteria for Stage 1 and have earned \$42,500 from the Medicaid incentive program as of March 31, 2012. This amount is included in other revenue on the statement of activities and changes in net assets.

Interest earned on Federal funds:

Interest earned on Federal funds is recorded as a payable to the United States Public Health Service ("PHS") in compliance with the regulations of the United States Office of Management and Budget.

Functional expenses:

Expenses are charged to program services or general and administrative based on a combination of specific identification and allocation by management.

Tax status:

The Center was incorporated as a not-for-profit corporation under the laws of the State of North Carolina and is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Therefore, there is no provision for income taxes. The Center has no unrecognized tax benefits at March 31, 2012. The Center's Federal and state income tax returns prior to fiscal year 2009 are closed and management continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings.

The Center recognizes interest and penalties associated with tax matters as operating expenses and includes accrued interest and penalties with accrued expenses in the statement of financial position.

Subsequent events:

The Center has evaluated subsequent events through November 8, 2012, which is the date the financial statements were available to be issued.

TRI-COUNTY COMMUNITY HEALTH COUNCIL, INC.
(d/b/a CommWell Health)

NOTES TO FINANCIAL STATEMENTS

Note 3 - Patient services receivable, net:

Patient services receivable, net consist of the following:

Medicaid	\$ 325,918
Medicare	181,721
Other third-party payors	500,871
Self-pay	<u>54,718</u>
 Total	 1,063,228
Less contractual allowances and allowance for doubtful accounts	<u>778,379</u>
 Total	 <u>\$ 284,849</u>

Note 4 - Contracts receivable:

Contracts receivable consist of the following:

North Carolina Department of Health and Human Services:	
Women, Infants, and Children Program	\$28,369
HIV Pre/Post Test Counseling	17,578
Eastpointe Human Services:	
Substance Abuse Cross Area Service Program	86,672
Walk-In Crisis	15,848
FEMA Crisis	31,802
SA Women's Block Grant	13,446
Robeson County Department of Health:	
Ryan White Part B	20,168
Other	<u>17,810</u>
 Total	 <u>\$ 231,693</u>

Note 5 - Property and equipment, net:

Property and equipment, net, consists of the following:

Land	\$ 173,051
Land improvements	718,459
Building	6,484,034
Equipment	4,424,742
Vehicles	<u>211,256</u>
Total	12,011,542
 Less accumulated depreciation and amortization	 <u>4,344,033</u>
 Total	 <u>\$7,667,509</u>

In the event the DHHS grants are terminated, DHHS reserves the right to have the Federal interest in all assets purchased with grant funds transferred to PHS or third parties.

TRI-COUNTY COMMUNITY HEALTH COUNCIL, INC.
(d/b/a CommWell Health)

NOTES TO FINANCIAL STATEMENTS

Note 6 - Refundable advances:

Refundable advances consist of the following:

U.S Department of Health and Human Services:	
Substance Abuse and Mental Health Services Program	\$ 68,228
AIDS United's Southern REACH Program	50,000
City of Goldsboro	54,000
Other	<u>7,825</u>
Total	<u>\$ 180,053</u>

Note 7 - Long-term debt:

Long-term debt consists of the following:

Installment note payable due in annual installments of \$56,005, including interest of 4.75% with a final payment of all outstanding principal and interest due December 2033. Secured by an interest in all rents, revenues, fees, charges, assessments, and all income derived in connection with the operation of facilities. \$ 734,966

The Center consolidated all of its short-term and long-term debt on September 7, 2011 into one consolidated loan. The new loan agreement has a monthly payment of \$22,500, including interest of 5.25% with a final payment of all outstanding principal and interest due on September 2018. This loan is secured by three real estate properties. 3,101,144

Total	3,836,110
Less current portion	<u>120,393</u>
Long-term portion	<u>\$3,715,717</u>

Principal payments requirements on the above obligations in each of the five years subsequent to March 31, 2012 and thereafter are as follows:

<u>Year Ending</u> <u>March 31,</u>	<u>Amount</u>
2013	\$ 120,393
2014	126,812
2015	133,574
2016	140,284
2017	159,571
Thereafter	<u>3,155,476</u>
Total	<u>\$ 3,836,110</u>

The Center is required to comply with certain covenants under its long-term debt obligations.

TRI-COUNTY COMMUNITY HEALTH COUNCIL, INC.
(d/b/a CommWell Health)

NOTES TO FINANCIAL STATEMENTS

Note 8 - DHHS grants:

For the year ended March 31, 2012, the Center received the following grants from the DHHS:

<u>Grant Number</u>	<u>Grant Period</u>	<u>Total Grant</u>	<u>Recognized</u>
Operating grants:			
6H80CS00655-10-09	4/01/11 – 3/31/12	\$7,487,265	\$7,487,265
4H76HA00547-12-04	4/01/11 – 6/30/12	415,179	268,762
6H12HA23008-11-01	8/01/10 – 7/31/11	282,150	122,304
6H12HA23008-12-02	8/01/11 – 7/31/12	282,150	182,831
5H79TI019896-03	9/30/10 – 9/29/11	450,000	209,061
5H79TI019896-04	9/30/11 – 9/29/12	450,000	227,975
5 H80CS00655-08-00	4/01/09 – 3/31/10	3,433,974	<u>295,404*</u>
			<u>8,793,602</u>
Nonoperating grant for capital expenditures:			
6C81CS13766-01-05	6/29/09 – 6/28/11	1,376,930	<u>336,536</u>
Total			<u>\$9,130,138</u>

* Represents the remaining portion earned on the grant that was advanced for an emergency supplemental grant awarded in fiscal year ended 2009 in the amount of \$930,000.

Note 9 - Patient services revenue, net:

Patient services revenue consists of the following for the year ended March 31, 2012:

Medicaid	\$ 1,050,156
Medicare	449,346
Other third party	2,532,232
Self-pay	<u>1,821,818</u>
Total	<u>\$ 5,853,552</u>

Based on the cost of patient services, charity care approximated \$5,057,000 and community benefit approximated \$1,570,000 for the year ended March 31, 2012.

Medicaid and Medicare revenue is reimbursed to the Center at the net reimbursement rates as determined by each program. Reimbursement rates are subject to revisions under the provisions of reimbursement regulations. Adjustments for such revisions are recognized in the fiscal year incurred.

TRI-COUNTY COMMUNITY HEALTH COUNCIL, INC.
(d/b/a CommWell Health)

NOTES TO FINANCIAL STATEMENTS

Note 10 - Contract services and other grants:

For the year ended March 31, 2012, contract services and other grants consist of the following:

North Carolina Department of Health and Human Services:	
Women, Infants, and Children Program	\$276,446
HIV Pre/Post Test Counseling	79,106
Eastpointe Human Services:	
Substance Abuse Cross Area Service Program	611,105
Walk-in Crisis Center	101,787
SAPTBG HIV Drug Non-UCR Eastpointe LME	77,204
FEMA Crisis	75,157
Men's Residence	144,491
SA Women Block Grant	25,890
Robeson County Department of Health:	
Ryan White Part B	124,620
Robeson Health Care Corporation:	
Ryan White Part C	20,846
North Carolina Health and Wellness Trust Fund Commission:	
Eliminating Health Disparities Initiative Phase II	24,505
North Carolina State University:	
Agrisafe Project	43,071
Wake County:	
Ryan White Title II Emerging Community Funds	33,609
University of North Carolina at Chapel Hill:	
Seeds of HOPE	24,208
HOPE Accounts for Women	18,598
Other	<u>58,362</u>
Total	<u>\$ 1,739,005</u>

Note 11 - In-kind contributions:

In-kind contributions consist of the following for the year ended March 31, 2012:

Donated pharmaceuticals	\$ 208,415
Donated rent	61,248
Donated property	<u>16,146</u>
Total	<u>\$ 285,809</u>

Note 12 - Pension plan:

The Center maintains a defined contribution pension plan covering all employees who meet certain eligibility requirements. The Center, at its discretion, may elect to match a portion of the employees' contributions and may also elect to make profit-sharing contributions to the plan. The Center did not make any contributions during the year ended March 31, 2012.

TRI-COUNTY COMMUNITY HEALTH COUNCIL, INC.
(d/b/a CommWell Health)

NOTES TO FINANCIAL STATEMENTS

Note 13 - Commitments and contingencies:

The Center has contracted with various funding agencies to perform certain healthcare services and receives Medicaid and Medicare revenue from the Federal and state governments. Reimbursements received under these contracts and payments under Medicaid and Medicare are subject to audit by the Federal and state governments and other agencies. Upon audit, if discrepancies are discovered, the Center could be held responsible for reimbursing the agencies for the amounts in question.

The Center maintains its medical malpractice coverage under the Federal Tort Claims Act ("FTCA"). FTCA provides malpractice coverage to eligible PHS-supported programs and applies to the Center and its employees while providing services within the scope of employment included under grant-related activities. The Attorney General, through the U.S. Department of Justice, has the responsibility for the defense of the individual and/or grantee for malpractice cases approved for FTCA coverage.

The healthcare industry is subject to voluminous and complex laws and regulations of Federal, state and local governments. Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government healthcare program participation requirements, reimbursement laws and regulations, anti-kickback and anti-referral laws, and false claims prohibitions. In recent years, government activity has increased with respect to investigations and allegations concerning possible violations of reimbursement, false claims, anti-kickback and anti-referral statutes and regulation by healthcare providers. The Center believes that it is in material compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. Upon audit, if discrepancies are discovered, the Center could be held responsible for refunding the amounts in question.

The Center leases 8 facilities under noncancellable operating leases, the longest lease of which expires in October 2020. Rent expense for the year ended March 31, 2012 amounted to \$111,442. Future minimum lease payments under these operating leases are as follows:

Year ending March 31:	
2013	\$ 101,539
2014	67,039
2015	64,029
2016	64,029
2017	64,029
Thereafter	<u>218,760</u>
	<u>\$ 579,425</u>

TRI-COUNTY COMMUNITY HEALTH COUNCIL, INC.
(d/b/a CommWell Health)

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED MARCH 31, 2012**

Federal Grantor/ Pass-through Grantor/Program Title	Federal CFDA Number	Agency or Pass-through Grantor's Number	Federal Expenditures
U.S. Department of Health and Human Services:			
Direct programs:			
Consolidated Health Centers Program	93.224	N/A	\$ 4,701,919
Affordable Care Act (ACA) Grants for New and Expanded Services under the Health Center Program	93.527	N/A	3,080,750
ARRA - Grants to Health Center Programs:			
Capital Improvement Program	93.703	N/A	336,536
Substance Abuse and Mental Health Services_Projects of Regional and National Significance	93.243	N/A	437,036
Coordinated Services and Access to Research for Women, Infants, Children, and Youth	93.153	N/A	305,135
Grants to Provide Outpatient Early Intervention Services with Respect to HIV disease	93.918	N/A	268,762
Passed through Robeson Health Care Corporation:			
Grants to Provide Outpatient Early Intervention Services with Respect to HIV disease	93.918	N/A	20,846
Total - CFDA 93.918			<u>289,608</u>
Passed through North Carolina Department of Health and Human Services:			
Block Grants for Prevention and Treatment of Substance Abuse	93.959	00025537	79,106
Passed through Eastpointe Human Services:			
Block Grants for Prevention and Treatment of Substance Abuse	93.959	N/A	77,204
Total - CFDA 93.959			<u>156,310</u>
Passed through University of North Carolina at Chapel Hill:			
Centers for Research and Demonstration for Health Promotion and Disease Prevention	93.135	N/A	24,208
ARRA - Trans-NIH Recovery Act Research Support	93.701	5-30346	18,598
Passed through Wake County:			
HIV Care Formula Grants	93.917	N/A	33,609
Passed through Robeson County Department of Public Health:			
HIV Care Formula Grants	93.917	N/A	124,620
Total - CFDA 93.917			<u>158,229</u>
Passed through Eastpointe Human Services:			
Block Grants for Community Mental Health Services	93.958	N/A	75,072
Total U.S. Department of Health and Human Services			<u>9,583,401</u>
U.S. Department of Agriculture:			
Passed through North Carolina Department of Health and Human Services:			
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	00851-12	276,446
Total Federal awards			<u>\$ 9,859,847</u>
State awards:			
State of North Carolina Grant Programs:			
N.C. Department of Health and Human Services - HWTF		N/A	\$ 95
N.C. Department of Health and Human Services - Health Wellness		1434	23,707
N.C. General Assembly Women's Health Service Fund		02073-12	3,213
N.C. Tobacco Trust Fund Commission		211623-Tutor	43,071
Substance Abuse Cross Area Service Program (CASP) Non-UCR		09-E29-EP06	755,596
Walk-in Crisis Center Funding		N/A	101,787
Angelic House Respite Bed		N/A	15,000
Women's SA Block Grant		N/A	25,835
CASP Seed		N/A	8,064
Total state awards			<u>\$ 976,368</u>

See Notes to Schedule of Expenditures of Federal and State Awards.

TRI-COUNTY COMMUNITY HEALTH COUNCIL, INC.
(d/b/a CommWell Health)

**NOTES TO SCHEDULE OF EXPENDITURES OF
FEDERAL AND STATE AWARDS**

Note 1 - General Information:

The accompanying schedule of expenditures of Federal and state awards presents the activities in all Federal and state awards of Tri-County Community Health Council, Inc. (d/b/a CommWell Health) (the "Center"). All financial assistance received directly from the Federal and state agencies as well as financial assistance passed through other governmental agencies or nonprofit organizations is included on the schedule.

Note 2 - Basis of accounting:

The accompanying schedule of expenditures of Federal and state awards is presented using the accrual basis of accounting. The information in the schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. The amounts reported in the schedule as expenditures may differ from certain financial reports submitted to Federal and state funding agencies due to those reports being submitted on either a cash or modified accrual basis of accounting.

Note 3 - Relationship to basic financial statements:

Federal expenditures are reported on the statement of functional expenses as program services. In certain programs, the expenditures reported in the basic financial statements may differ from the expenditures reported in the schedule of expenditures of Federal and state awards due to program expenditures exceeding grant or contract budget limitations or agency-matching or in-kind contributions which are not included in the statement of activities and changes in net assets.

Note 4 - Outstanding loan:

At March 31, 2012, the Center has an outstanding loan with the U.S. Department of Agriculture as follows:

Program Title	CFDA No.	Amount
Community Facilities Loans and Grants	10.766	\$ 734,966

The Center is required to maintain a reserve account equivalent to one year of principal payments. As of March 31, 2012, the balance of the reserve account, shown as certificate of deposit - USDA in the statement of financial position, exceeded the reserve requirement.

Note 5 - Subrecipients:

Of the Federal and state expenditures presented in this schedule, the Center provided no Federal and state awards to subrecipients for the year ended March 31, 2012.

**Report of Independent Public Accountants 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
Tri-County Community Health Council, Inc.
(d/b/a CommWell Health)

We have audited the financial statements of Tri-County Community Health Council, Inc. (d/b/a CommWell Health) (the "Center") as of and for the year ended March 31, 2012, and have issued our report thereon dated November 8, 2012. 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.

Internal Control over Financial Reporting

Management of the Center is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Center's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Center's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting 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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Center's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed 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 2012-1.

We noted certain other matters that we reported to management of the Center in a separate letter dated November 8, 2012.

The Center's response to the finding identified above is described in the accompanying schedule of findings and questioned costs. We did not audit the Center's response and accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Board of Directors, Federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

A handwritten signature in black ink that reads "CohnReznick LLP". The signature is written in a cursive, flowing style.

New York, New York
November 8, 2012

**Report of Independent Public Accountants on Compliance with Requirements
That Could Have a Direct and Material Effect on Each Major Federal Program and on
Internal Control over Compliance in Accordance with OMB Circular A-133**

To the Board of Directors
Tri-County Community Health Council, Inc.
(d/b/a CommWell Health)

Compliance

We have audited Tri-County Community Health Council, Inc.'s (d/b/a CommWell Health) (the "Center") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major Federal programs for the year ended March 31, 2012. The Center's major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major Federal programs is the responsibility of the Center's management. Our responsibility is to express an opinion on the Center's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the Center'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. Our audit does not provide a legal determination of the Center's compliance with those requirements.

As described in item 2012-1 in the accompanying schedule of findings and questioned costs, the Center did not comply with the requirements on sliding fee discounts that are applicable to its major Federal programs noted in the schedule of findings and questioned costs. Compliance with such requirements is necessary, in our opinion, for the Center to comply with requirements applicable to those programs.

In our opinion, except for the noncompliance described in the preceding paragraph, the Center complied, in all material respects, with the requirements referred to above that could have a direct and material effect on its major Federal programs for the year ended March 31, 2012.

Internal Control over Compliance

Management of the Center is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to Federal programs. In planning and performing our audit, we considered the Center's internal control over compliance with the requirements that could have a direct and material effect on a major Federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies or material weakness have been identified. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a material weakness.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2012-1 to be a material weakness.

The Center's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Center's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Board of Directors, Federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.



New York, New York
November 8, 2012

**Report of Independent Public Accountants on Compliance with
Requirements Applicable to Each Major State Program and on
Internal Control over Compliance in Accordance with Applicable Sections
of OMB Circular A-133 and the State Single Audit Implementation Act**

To the Board of Directors
Tri-County Community Health Council, Inc.
(d/b/a CommWell Health)

Compliance

We have audited Tri-County Community Health Council, Inc. (d/b/a CommWell Health) (the “Center’s”) compliance with the types of compliance requirements described in the Audit Manual for Governmental Auditors in North Carolina, issued by the Local Government Commission, that could have a direct and material effect on its major state program for the year ended March 31, 2012. The Center’s major state program is identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major state program is the responsibility of the Center’s management. Our responsibility is to express an opinion on the Center’s compliance based on our audit.

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 applicable sections of OMB Circular A-133, as described in the Audit Manual for Governmental Auditors in North Carolina, and the State Single Audit Implementation Act. Those standards, applicable sections of OMB Circular A-133, and the State Single Audit Implementation Act 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 state program occurred. An audit includes examining, on a test basis, evidence about the Center’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. Our audit does not provide a legal determination of the Center’s compliance with those requirements.

In our opinion, the Center complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major state program for the year ended March 31, 2012.

Internal Control Over Compliance

Management of the Center is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to state programs. In planning and performing our audit, we considered the Center's internal control over compliance with the requirements that could have a direct and material effect on a major state program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance with applicable sections of OMB Circular A-133 and the State Single Audit Implementation Act, 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 Center'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 State 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 state program will not be prevented, or detected and corrected, on a timely basis.

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above

This report is intended solely for the information and use of management, the Board of Directors, Federal and state awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Cohn Reznick LLP".

New York, New York
November 8, 2012

TRI-COUNTY COMMUNITY HEALTH COUNCIL, INC.
(d/b/a CommWell Health)

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED MARCH 31, 2012

Section I - Summary of Auditor's Results:

Financial Statements:

Type of auditor's report issued:

Unqualified

- Material weakness(es) identified? ___ yes no
- Significant deficiency(ies) identified? ___ yes none reported

Noncompliance material to financial statements noted?

___ yes no

Federal Awards:

Internal control over major programs:

- Material weakness(es) identified? yes ___ no
- Significant deficiency(ies) identified? ___ yes none reported

Type of auditor's report issued on compliance
for major programs:

Qualified

Any audit findings disclosed that are required to be reported in
accordance with Section 510(a) of Circular A-133?

yes ___ no

Identification of major Federal programs:

CFDA Number

Name of Federal Program

93.224

Consolidated Health Centers Program

93.527

Affordable Care Act (ACA) Grants for New and Expanded Services Under the Health Center Program

93.703

ARRA – Grants to Health Center Programs: Capital Improvement Program

10.557

Special Supplemental Nutrition Program for Women, Infants, and Children

93.153

Coordinated Services and Access to Research for Women, Infants, Children, and Youth

Dollar threshold used to distinguish
between type A and B programs:

\$300,000

Auditee qualified as low-risk auditee?

___ yes no

TRI-COUNTY COMMUNITY HEALTH COUNCIL, INC.
(d/b/a CommWell Health)

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED MARCH 31, 2012

Section II - Financial Statement Findings and Section III - Federal Award Findings and Questioned Costs - U.S. Department of Health and Human Services, Consolidated Health Centers Program (CFDA 93.224), Affordable Care Act (ACA) Grants for New and Expanded Services under the Health Center Program (CFDA 93.527) (concluded):

Questioned Costs:

None

Effect:

The Center did not comply with the determination of sliding fee discounts based on the Federal poverty guidelines in effect for the fiscal year 2012. In addition, patient accounts were not properly adjusted to reflect the appropriate sliding fee discounts and, therefore, the charges, adjustments and receivables reflected on the billing system were misstated.

Cause:

The condition can be attributed to human error and the lack of internal controls to review and ensure that the proper sliding fee discounts are being applied.

Recommendation:

We recommend that proper training be given to employees at registration and that sliding fee discounts be monitored and reviewed by a supervisor on a periodic basis to ensure compliance with the sliding fee scale. In addition, we recommend that the Center update its billing system to properly reflect the discounts to be given to patients based on their sliding fee category.

Management's Response:

We concur with the audit recommendation. Subsequent to year-end, additional training is being conducted for employees at the Center. In addition, the sliding fee discounts will be monitored and reviewed by the supervisor on a more routine basis to ensure that the sliding fee is properly administered to eligible patients. Effective April 30, 2012, the Center has upgraded its billing system which will properly reflect the discounts to be given to patients based on their sliding fee category.

TRI-COUNTY COMMUNITY HEALTH COUNCIL, INC.
(d/b/a CommWell Health)

STATUS OF PRIOR YEAR'S FINDINGS
YEAR ENDED MARCH 31, 2012

Item #	Description of Condition	Status of Corrective Action
11-1	Sliding fee discounts	The Center has not corrected this during the current year. See 2012-1.
