

**Western North Carolina Community
Health Services, Inc.
Asheville, North Carolina**

Financial Statements

December 31, 2019



Western North Carolina
Community Health Services

CONTENTS

	<u>Page</u>
Independent Auditors' Report	1 – 2
Financial Statements	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5 – 6
Statement of Cash Flows	7
Notes to Financial Statements	8 – 17
Compliance Section	
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	18 – 19
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	20 – 22
Schedule of Expenditures of Federal Awards	23 – 24
Schedule of Findings and Questioned Costs	25 – 27
Corrective Action Plan	28
Summary Schedule of Prior Audit Findings	29

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Western North Carolina Community Health Services, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Western North Carolina Community Health Services, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses, and cash flows for the 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 these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 from material misstatement.

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

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

To the Board of Directors
Western North Carolina Community Health Services, Inc.
Page 2

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Western North Carolina Community Health Services, Inc. as of December 31, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2020, on our consideration of Western North Carolina Community Health Services, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Western North Carolina Community Health Services, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Western North Carolina Community Health Services, Inc.'s internal control over financial reporting and compliance.

CARTER, P.C.

Asheville, North Carolina
November 18, 2020

WESTERN NORTH CAROLINA COMMUNITY HEALTH SERVICES, INC.

STATEMENT OF FINANCIAL POSITION

December 31, 2019

	<u>2019</u>
Assets	
Current Assets:	
Cash	\$ 958,013
Cash - Restricted	57,588
Grants receivable	465,925
Accounts receivable	2,099,644
Sales tax refund receivable	15,496
Other receivables	331,639
Prepaid expenses	45,914
Inventory	<u>45,197</u>
Total current assets	<u>4,019,416</u>
Property and equipment, net	<u>1,011,267</u>
Total assets	<u><u>\$ 5,030,683</u></u>
Liabilities and Net Assets	
Current Liabilities:	
Accounts payable and accrued liabilities	\$ 1,098,160
Compensated absences	471,454
Deferred revenues	<u>47,577</u>
Total current liabilities	<u>1,617,191</u>
Net Assets:	
Without donor restrictions	3,355,904
With donor restrictions	<u>57,588</u>
Total net assets	<u>3,413,492</u>
Total liabilities and nets assets	<u><u>\$ 5,030,683</u></u>

The accompanying notes are an integral part of these financial statements.

WESTERN NORTH CAROLINA COMMUNITY HEALTH SERVICES, INC.

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2019

Changes in Net Assets Without Donor Restrictions

Revenues and support:	
Federal, state and county grants and financial assistance	\$ 7,424,471
Pharmacy sales, net	5,349,009
Service fee revenue, net	3,583,892
In-kind rent and services	732,635
United Way	46,310
Other income	29,604
Contributions and non-governmental grants	24,664
Total	<u>17,190,585</u>
Net assets released from restrictions used for operations	<u>-</u>
 Total revenues and support without donor restrictions	 <u>17,190,585</u>
 Expenses:	
Programs	13,751,407
Management and general	925,024
 Total expenses	 <u>14,676,431</u>
 Net operating income	 2,514,154
 Other increases (decreases) in net assets without donor restrictions:	
Gain on long-term debt forgiveness	31,500
Gain on disposal of property and equipment	292,281
 Total other increases (decreases) in net assets without donor restrictions	 <u>323,781</u>
 Increase (decrease) in net assets without donor restrictions	 <u>2,837,935</u>
 Net assets without donor restrictions, beginning of year	 <u>517,969</u>
 Net assets without donor restrictions, end of year	 <u>\$ 3,355,904</u>

Changes in Net Assets With Donor Restrictions

Contributions:	
Foundation grant	\$ 57,588
Net assets released from restrictions	<u>-</u>
 Increase (decrease) in net assets with donor restrictions	 <u>57,588</u>
 Net assets with donor restrictions, beginning of year	 <u>-</u>
 Net assets with donor restrictions, end of year	 <u>\$ 57,588</u>

The accompanying notes are an integral part of these financial statements.

WESTERN NORTH CAROLINA COMMUNITY HEALTH SERVICES, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2019

	Program Services		
	Primary Care	Dental	Pharmacy
Salaries	\$ 6,005,087	\$ 1,633,637	\$ 1,433,797
Payroll taxes and employee benefits	642,198	191,757	156,380
Contracted services	261,637	-	-
Training and education	29,996	6,582	2,882
Supplies	37,306	14,923	22,384
Pharmacy and lab expense	624,799	195,256	-
Client food, transportation and assistance	-	-	-
Printing and postage	29,771	9,924	9,924
Telephone	10,881	4,352	6,528
Information technology	75,645	30,258	45,387
Utilities	27,288	6,822	6,822
Repair and maintenance	86,287	33,235	11,316
Rent	21,394	2,674	18,720
Rent (in-kind)	355,581	59,264	88,895
Dues and subscriptions	-	-	-
Tax and licenses	12,345	-	-
Travel	-	-	-
Depreciation	83,173	13,202	6,601
Insurance	20,498	5,125	1,708
Interest	646	646	10,849
Total	\$ 8,324,532	\$ 2,207,657	\$ 1,822,193

The accompanying notes are an integral part of these financial statements.

WESTERN NORTH CAROLINA COMMUNITY HEALTH SERVICES, INC.

STATEMENT OF FUNCTIONAL EXPENSES (cont.)

For the Year Ended December 31, 2019

	<u>Program Services</u>		<u>Supporting Services</u>	
	<u>Ancillary Program</u>	<u>Program Services Total</u>	<u>General and Administrative</u>	<u>Total</u>
Salaries	\$ 629,820	\$ 9,702,341	\$ 357,748	\$ 10,060,089
Payroll taxes and employee benefits	72,603	1,062,938	55,300	1,118,238
Contracted services	106,455	368,092	-	368,092
Training and education	-	39,460	28,231	67,691
Supplies	34,699	109,312	59,690	169,002
Pharmacy and lab expense	-	820,055	-	820,055
Client food, transportation and assistance	491,940	491,940	-	491,940
Printing and postage	9,924	59,543	39,695	99,238
Telephone	-	21,761	21,762	43,523
Information technology	-	151,290	151,289	302,579
Utilities	6,822	47,754	20,466	68,220
Repair and maintenance	40,414	171,252	16,165	187,417
Rent	-	42,788	10,697	53,485
Rent (in-kind)	-	503,740	88,895	592,635
Dues and subscriptions	-	-	37,360	37,360
Tax and licenses	-	12,345	4,115	16,460
Travel	-	-	1,307	1,307
Depreciation	2,640	105,616	26,404	132,020
Insurance	1,708	29,039	5,125	34,164
Interest	-	12,141	775	12,916
Total	\$ 1,397,025	\$13,751,407	\$ 925,024	\$ 14,676,431

The accompanying notes are an integral part of these financial statements.

WESTERN NORTH CAROLINA COMMUNITY HEALTH SERVICES, INC.

STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2019

Cash Flows from Operating Activities:	
Increase in net assets	\$ 2,895,523
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	132,020
Gain on sale of real property	(292,281)
Gain on long-term debt forgiveness	(31,500)
Bad debt expense	(1,015,168)
Net change in operating assets and liabilities:	
Grants receivable	(255,707)
Accounts receivable	(457,435)
Sales tax refund receivable	5,836
Other receivables	(4,400)
Prepaid expenses	(45,914)
Inventory	47,399
Accounts payable and accrued expenses	4,854
Compensated absences	(21,069)
Deferred revenues	47,577
	1,009,735
Cash provided by operating activities	1,009,735
Cash Flows from Investing Activities:	
Proceeds from sale of fixed assets	22,979
Cash provided by investing activities	22,979
Cash Flows from Financing Activities:	
Medicaid repayment	(458,519)
Note principal payments	(12,315)
Cash used by financing activities	(470,834)
Net increase in cash	561,880
Cash, beginning of year	453,721
Cash, end of year	\$ 1,015,601

Supplemental Disclosures:

Supplemental Disclosure of Cash Flow Information

Cash paid for interest expense	\$ 12,916
Non-cash Investing and Financing Activity - Repayment of long-term debt from sale of building	\$ 99,219
Non-cash Investing and Financing Activity - Equipment acquired through accounts payable accrual	\$ 100,155
Non-cash Investing and Financing Activity - Building sale proceeds recorded as other receivables	\$ 327,239

The accompanying notes are an integral part of these financial statements.

WESTERN NORTH CAROLINA COMMUNITY HEALTH SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

Note 1 – Nature of Activities and Significant Accounting Policies

Nature of Activities

Western North Carolina Community Health Services, Inc. (the Organization) was established to provide primary health care and social support services to low-income residents of its service area. The Organization receives federal, state and county funding, as well as support from a variety of foundations and other organizations. Program services include outpatient primary medical, dental, and behavioral health care, pharmacy, social work, and housing assistance for persons with disabilities.

Change in Accounting Principle

In 2019, the Organization adopted Accounting Standards Update (ASU) 2018-08, *Not-For-Profit Entities* (Topic 958): *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, using a modified prospective basis to all agreements not completed as of January 1, 2019 or entered into after January 1, 2019. ASU 2018-08 clarifies existing guidance on determining whether a transfer of assets (or the reduction, settlement or cancellation of liabilities) is a contribution or an exchange transaction. The amendments clarify how the Organization determines whether a resource provider (including a foundation, a government agency or other) is receiving commensurate value in return for the resources transferred, and whether contributions are conditional or unconditional.

In 2019 Accounting Standards Update No. 2016-01, *Financial Instruments - Overall: Recognition and Measurement of Financial Assets and Financial Liabilities* (ASU 2016-01) was adopted. ASU 2016-01 changes certain aspects of recognition, measurement, presentation, and disclosure of financial instruments.

Adoption of ASU 2018-08 and 2016-01 had no impact on the previously reported 2018 financial statement amounts.

Basis of Accounting

The financial statements of the Organization have been prepared in accordance with U.S. generally accepted accounting principles (US GAAP), which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Organization's management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

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.

Cash

The Organization considers all highly liquid investments with maturity of three months or less when purchased to be cash equivalents. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of these financial instruments. Restricted cash consists of donations limited for specific purpose or time of usage, and the Organization had \$57,588 restricted on December 31, 2019.

Accounts Receivable

Included in patient receivables are amounts due from Medicare and Medicaid agencies. These payments are generally less than established billing rates, the difference being charged against revenue as revenue adjustments at the time the fee for service is recorded. Amounts from these agencies are determined under cost reimbursement formulas and redetermination by the agencies. Accounts receivables from patient fees, other than the above, may be reduced using a sliding fee scale due to a patient's inability to pay. These adjustments are based on income level and number of family members applied to the Federal poverty guidelines.

Allowance for Uncollectible Receivables

The provision for uncollectible receivables is not recorded as an expense but is treated as a reduction of the related revenue in the statement of activities. The Organization estimates the provision for uncollectible receivables based on computations within industry standards.

Inventory

Inventory consists primarily of prescription medications and other medical supplies. Inventory is stated at the lower of cost (determined by the first-in, first-out method) or net realizable value.

Property and Equipment

Property and equipment additions over \$5,000 are recorded at cost if purchased or at their estimated fair value at the date of the gift, if donated. Such donations are reported as unrestricted support unless donated for a specific purpose. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently. Property and equipment are depreciated using the straight-line method over the estimated useful lives of the assets, which generally range from three to thirty years.

Fair Value of Financial Instruments

- A. Cash - The carrying amount reported is the reconciled bank account balances, which are considered to be fair values.
- B. Accounts Receivable - The carrying amount reported is the estimated net collectible amount, which is considered the fair value.

- C. Accounts Payable and Other Liabilities - The carrying amounts reported are the amounts equaled to the required payments. The reported amounts are considered the fair values.

Recognition of Grant Income

Grant income is recognized over the grant period in relation to the expenditures incurred and services provided, as outlined in the grant documents. Cash received in excess of grant expenditures to date is recorded as deferred revenue, and a receivable is recorded when allowable expenditures exceed cash received.

Patient Service Revenue

Patient service revenue is recorded at amounts that the Organization anticipates collecting from Medicare, Medicaid, insurance, or individuals less a provision for uncollectible accounts. The rates charged individuals are determined by an income discount scale, which is based on the Federal poverty level guidelines

Income Tax Status

Western North Carolina Community Health Services, Inc. was incorporated in 1993 as a nonprofit corporation under the laws of the State of North Carolina. It qualified as a tax-exempt entity under Section 501(c)(3) of the Internal Revenue Code and is not subject to federal income taxes except for income from its unrelated business activities. In addition, the Organization has been classified as a publicly supported organization that is not a private foundation under Section 509(a)(1).

Credit Risk

Cash and cash equivalents are maintained at financial institutions and, at times, balances may exceed federally insured limits. The bank account is insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The amount that exceeded FDIC insurance was \$874,170 on December 31, 2019. The Organization has approximately \$2,100 in petty cash on December 31, 2019.

Donated Services and In-Kind Contributions

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. No amounts have been reflected in the accompanying financial statements for donated services since the recognition criteria were not met. In-kind contributions of rent and laboratory fees are reported at fair rental value of the property and supplies.

Functional Allocation of Expenses

The costs of program and supporting services activities are summarized on a functional basis on the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Expenses that can be identified with a specific program or support service are allocated directly according to their nature and expenditure classification. Other expenses that are common to two or more functions are allocated based on management's estimate of the program activities benefited. General and administrative expenses provide for the overall support and direction of the Organization.

Note 2 – Liquidity and Availability

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments. In addition to financial assets available to meet general expenditures over the next 12 months, the Organization operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures. Refer to the statement of cash flows which identifies the sources and uses of the Organization's cash and shows positive cash generated by operations during 2019.

As of December 31, 2019, the following financial assets could readily be made available within one year of the balance sheet date to meet general expenditures:

Cash	\$ 1,015,601
Grants receivable	465,925
Accounts receivable, net	2,099,644
Other receivables	331,639
Sales tax refund receivable	<u>15,496</u>
Total financial resources available	<u>\$ 3,928,305</u>

The Organization is the recipient of federal, state and local grants which are restricted based on meeting certain goals related to providing health services to the community. These funds are provided on a reimbursement basis, so once the cash is received, the restrictions have already been met. The Organization's policy is to recognize these funds as being without donor restrictions, and all of these financial assets are therefore available for future expenditures. The Organization had net assets of \$57,588 with donor restrictions on December 31, 2019.

Note 3 – Accounts and Grants Receivable

Included in patient receivables are amounts due from patients, Medicare, Medicaid, and private insurance companies. These payments are generally less than established billing rates, the difference being recorded as revenue adjustments at the time the fee for service payment is recorded.

Grants receivable consisted of the following on December 31, 2019:

Ryan White, Part B	\$ 279,065
HOPWA	79,441
Aids United grant	28,040
U.S. Department of Health and Human Services	<u>79,379</u>
Total grants receivable	<u>\$ 465,925</u>

Accounts receivable consisted of the following on December 31, 2019:

Patient fees and third-party settlements	\$ 2,161,156
Less: allowance for uncollectible accounts	<u>(61,512)</u>
Total accounts receivable, net	<u>\$ 2,099,644</u>

Note 4 – Net Assets with Donor Restrictions

Restrictions on net assets relate primarily to grant funds received or receivable that have been designated or promised as support for future periods. Accordingly, these funds would be reflected as net assets with donor restrictions in these financial statements. However, if grant restrictions expire in the same reporting period that the contribution was made, such contribution is reported as unrestricted support in the statement of activities. Grants are typically received through reimbursement method. There were \$57,588 of net assets with donor restrictions as of December 31, 2019.

Note 5 – Property and Equipment

Property and equipment consisted of the following on December 31, 2019:

Land	\$ 22,914
Buildings and leasehold improvements	1,403,615
Vehicles	61,170
Medical and dental equipment	667,213
Office equipment	1,092,900
Furniture and fixtures	<u>94,867</u>
	3,342,679
Accumulated depreciation	<u>(2,331,412)</u>
	<u>\$ 1,011,267</u>

Depreciation charged to expense was \$132,020.

Note 6 – Investments

The Organization has adopted the Fair Value Measurement and Disclosure topic of the FASB ASC, which establishes a framework for measuring value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by the observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used should maximize the use of observable inputs and minimize the use of unobservable inputs.

In 2019, the Organization had no investments or certificates of deposit.

Note 7 – Note Payable

During 2019, the Organization sold the property at 23 Ridgelawn Ave. in Asheville, North Carolina that served as collateral for a note payable. The note was paid in full at the time of sale. The Organization has no other long-term debt.

The Organization incurred interest expense related to notes payable of approximately \$6,307 for the note payable for the year ended December 31, 2019.

Note 8 – Medicaid Repayment Plan Liability

During 2012 through September 2015, the Organization used the Average Wholesale Price (AWP) in the calculation of reimbursement for pharmaceuticals for Medicaid patients. Medicaid alleged the Organization should have used the Average Acquisition Cost (AAC) for calculating the reimbursement. Management believed the use of AWP was appropriate. The Organization contested the recoupment as contrary to the North Carolina Medicaid cost reporting instructions for that period of time. The matter was under appeal within the North Carolina Office of Administrative Hearings and was resolved by court order in early 2017 in favor of the NC Department of Health and Human Services.

The note payable described above is due to recoupment required by settlements with NC Department of Health and Human Services (DHHS). The notes are collateralized by the monthly claims filed by the Organization for future Medicaid reimbursement.

As a result of the 2017 court order and settlement, the Organization was subject to a Medicaid recoupment settlement liability as of December 31, 2015 for approximately \$3.166 million. The Organization agreed to a repayment schedule with the NC Department of Health and Human Services to start payments in May 2017. The debt was settled in full in May 2019.

The Organization incurred interest expense related to Medicaid revenue repayment plan of approximately \$6,879 for the repayment plan for the year ended December 31, 2019.

Note 9 – Promissory Notes

The Organization had entered into an agreement prior to 2014 with the North Carolina Housing Finance Agency to sponsor a group home project. The Agency advanced the Organization \$31,500, as evidenced by loan agreements and promissory notes, to provide start up financial assistance for the project. The promissory note does not provide for interest to accrue.

Under the statute of limitations on collectability of debts, the debt was determined to be outdated and uncollectible by the lending agency. Therefore, the debt was eliminated and written off the Organization's financial statements and a gain on the recovery of long-term debt in the amount of \$31,500 was realized and included in other income in the Statement of Activities.

Note 10 – Line of Credit

The Organization maintains a line of credit with a local bank which matures in October 2020. Maximum borrowings on the line are \$150,000. Monthly interest payments are required at the prime rate, plus 1%, with a floor of 5%. The line of credit is secured by real property. There was no outstanding balance on the line of credit at December 31, 2019.

Note 11 – Operating Lease Commitments

The Organization has various fixed payment term leases considered to be operating leases. The total approximate future operating lease payments consisted for the following purposes as of December 31, 2019:

Phone system	\$ 34,046
Office equipment	27,576
Rental space	<u>33,750</u>
	<u>\$ 95,372</u>

Aggregate operating lease payments will approximate the following:

<u>Year Ending December 31</u>	
2020	\$ 70,841
2021	16,019
2022	<u>8,512</u>
	<u>\$ 95,372</u>

During 2019, total rent expense for all operating leases was \$111,515.

Note 12 – In-Kind Rent Assistance, Future Rental Options, and In-Kind Lab Costs

The Organization renovated 257 Biltmore Avenue; a property owned by Buncombe County, in 2009 and moved its healthcare operations to the location in January 2010. Buncombe County initially agreed to accept \$1 per year for the initial lease term of July 2009 to June 2012. The parties agreed that the discounted market rental amount is \$15 per square foot of 39,509 square feet to be \$592,635 per year. The difference between the rent paid and the market rent is reported as an in-kind rent assistance of \$592,635.

The first lease renewal for these premises was instituted in July 2012 and extended through June 2016 at the same terms of \$1 per year. The Organization agreed to provide their services for an additional 1,500 patients annually through June 2016. The Organization agreed to increase evening hours by 8 hours per week to extend the agreement through June 2017.

The second lease renewal for these premises was instituted in July 2017 and extended through June 2020 at the same terms of \$1 per year. The Organization agreed to provide their services at the levels described in the first lease renewal.

Unless these terms are extended beyond June 2020, the Organization can lease the property starting in July 2020 at \$40,000 a month. The Organization has the option to purchase the property at any time during the lease for the purchase price of \$4,090,000.

The Organization also has contract with LabCorp to receive up to \$140,000 of donated labs for patients considered indigent. The Organization utilized this donation in full for 2019.

Note 13 – Concentration with Supplier

The Organization's pharmacy purchases majority of its related pharmacy medications from one vendor. The Organization purchased approximately \$5.3 million from the one vendor in 2019.

Note 14 – Concentration of Revenue and Support

Revenues and support for the year ended December 31, 2019 include revenues from the major sources together with the receivable due from these sources as of December 31, 2019 as follows:

	<u>Revenues</u>	<u>Receivable</u>
Service fee revenues, net	\$ 3,583,892	\$ 157,500
Pharmacy sales revenues, net	5,349,009	781,571
Buncombe County (including in-kind rent)	3,127,453	-
U.S. Department of Health and Human Services	4,253,204	358,444
U.S. Department of Housing and Urban Development	484,673	79,441
All other sources	<u>773,723</u>	<u>359,679</u>
Total	<u>\$ 17,571,954</u>	<u>\$ 1,736,635</u>

The breakout of service fee revenues, net for the year ended December 31, 2019 from above is as follows:

Medicare – Gross	\$ 1,393,087
Medicare – Allowance	<u>(670,417)</u>
	<u>722,670</u>
Medicaid – Gross	2,827,649
Medicaid – Allowance	<u>(459,211)</u>
	<u>2,368,438</u>
Commercial insurance – Gross	1,598,835
Commercial insurance – Allowance	<u>(799,446)</u>
	<u>799,389</u>
Self-pay – Gross	6,857,605
Self-pay – Allowance	<u>(7,164,210)</u>
	<u>(306,605)</u>
Total	<u>\$ 3,583,892</u>

The self-pay adjustment includes a write off of bad debts for cumulative prior years.

The breakout of pharmacy sales revenues, net for the year ended December 31, 2019 from above is as follows:

Pharmacy – Gross	\$ 11,950,780
Pharmacy – Processing Fees	(628,099)
Pharmacy – Allowance	(691,422)
Pharmacy – Cost of Sales	<u>(5,282,250)</u>
	<u>\$ 5,349,009</u>

In 2019, the Organization received 24% of its support from federal funding provided by the U.S. Department of Health and Human Services and U.S. Department of Housing and Urban Development and 18% of its support from various grants from Buncombe County. The service fee and pharmacy net revenues represent 51% of the Organization's total 2019 revenue. Service fee revenue and pharmacy revenue is highly dependent on Medicare and Medicaid as sources of their revenues.

Note 15 – Risks and UncertaintiesRevenue Concentration

The Organization is engaged primarily in providing health care and housing opportunities to residents in its service area without regard to the residents' ability to pay. Since a substantial amount of its support is from federal, state and local governments and Medicare and Medicaid funding, any significant reduction in the level of this support could have an adverse effect on the Organization's programs.

Funding for its programs is from the U.S. Department of Health and Human Services and the U.S. Department of Housing and Urban Development. Periodic audits of these grants and other federal and state funding may occur in the future and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds would be immaterial. No provision has been made in the accompanying financial statements for this potential refund of grant monies.

Self-insured Health Insurance

The Organization offers health insurance to its employees. The health insurance costs are paid by the Organization (self-insured). The Organization has a stop loss limit coverage of \$45,000 per plan member. The minimum aggregate attachment point for 2019/2020 Plan year was approximately \$796,000 and is adjusted based on the employee count on a monthly basis. The stop loss policy covered \$1 million over the minimum aggregate attachment point. The policy period started in April 2019 and continued through March 2020.

Risk Management

The Organization is exposed to various risks of loss related to torts; malpractice; theft of damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Organization carries commercial insurance coverage for various risks of loss. In addition, the Organization is insured by the Federal Torts Claims Act (FTCA).

Note 16 – Retirement Plan

The Organization provides a retirement benefit plan for employees under Section 403(b) of the Internal Revenue Code. The plan is a defined contribution plan covering all employees of the Organization who have met eligibility requirements. The employer's contribution is discretionary and determined on an annual basis. Employer contributions for the year ended December 31, 2019 were \$94,012.

Note 17 – Subsequent Events

The Organization evaluated the effects subsequent events would have on the financial statements through November 18, 2020, which is the date the financial statements were available to be issued.

Recently Issued Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2016-02, *Leases (ASU 2016-02)*. ASU 2016-02 is intended to improve financial reporting about leasing transactions. The ASU will require organizations that lease assets to recognize assets and liabilities in the statement of financial position for the rights and obligations created by those leases. The standard will be effective for annual periods beginning after December 15, 2021.

In May 2014, The Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The core guidance in Topic 606 is to recognize revenue to depict the transfer of promised goods or services to customers or patients in amounts that reflect the consideration to which the Organization expects to be entitled in exchange for those goods or services. The amount to which the Organization expects to be entitled is calculated as the transaction price and recorded as revenue in exchange for providing patient care services to its patients.

Due to the COVID pandemic, the Organization has elected to delay the implementation of both pronouncements.

COVID Pandemic

In mid-March 2020, the coronavirus pandemic hit the United States and the local region. Operations of the health center have been affected as patient visits have decreased or been limited to virtual visits. Dental operations changed to emergency visits only from April through mid-June. During this time, the utilization of services dropped to around 50%.

Various governmental units offered supplemental grant funding to help offset the negative effects of the pandemic, and the Organization received a \$2.033 million PPP loan from the Small Business Administration to retain employees and meet short-term salary, benefits, utilities and rent costs. If the loan is used for such purposes, the federal government will forgive the debt, and the proceeds will be converted to a grant revenue. The health center will utilize all but approximately \$285,000 for said purposes.

The Organization has received supplemental funding for regular health center operations, as well as the Ryan White -specific programs through the CARES Act and other COVID-related funding of approximately \$2,000,000.

Sale of 16 Ridgelawn Ave. Property

On September 30, 2020, the Organization sold a building located at 16 Ridgelawn Ave in Asheville, North Carolina. The sale was for \$430,000, and the net proceeds of \$403,572 were deposited to the operating cash account.

Purchase of Medical Mobile Unit

On August 8, 2020, the Organization purchased a medical mobile unit which can provide full medical, behavioral health, and dental services to offsite locations throughout western North Carolina. The purchase utilized various funding sources including federal COVID funding. The unit will be used for COVID testing in public housing communities, homeless shelters, and remote sites. The unit will also provide HIV services in the eighteen-county region which the Organization serves as lead agency for the Ryan White Program. The purchase price was \$433,672.

COMPLIANCE SECTION

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

To the Board of Directors
Western North Carolina Community Health Services, Inc.

We have audited, 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, the financial statements of Western North Carolina Community Health Services, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 18, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Western North Carolina Community Health Services, Inc.'s internal control over financial reporting (internal control) as a basis for designing 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 Western North Carolina Community Health Services, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Western North Carolina Community Health Services, Inc.'s internal control.

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

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

To the Board of Directors
Western North Carolina Community Health Services, Inc.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Western North Carolina Community Health Services, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as Findings 2019-001 and 2019-002.

Western North Carolina Community Health Services, Inc.'s Response to Findings

Western North Carolina Community Health Services, Inc.'s response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Western North Carolina Community Health Services, Inc.'s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.



Asheville, North Carolina
November 18, 2020

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors
Western North Carolina Community Health Services, Inc.

Report on Compliance for Each Major Federal Program

We have audited Western North Carolina Community Health Services, Inc.'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 Western North Carolina Community Health Services, Inc.'s major federal programs for the year ended December 31, 2019. Western North Carolina Community Health Services, Inc.'s major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Western North Carolina Community Health Services, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 Western North Carolina Community Health Services, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

To the Board of Directors
Western North Carolina Community Health Services, Inc.

Opinion on Each Major Federal Program

In our opinion, Western North Carolina Community Health Services, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2019.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as Findings 2019-001 and 2019-002. Our opinion on each major federal program is not modified with respect to these matters.

Western North Carolina Community Health Services, Inc.'s response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Western North Carolina Community Health Services, Inc.'s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of Western North Carolina Community Health Services, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Western North Carolina Community Health Services, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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 Western North Carolina Community Health Services, Inc.'s internal control over compliance.

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

To the Board of Directors
Western North Carolina Community Health Services, Inc.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify a certain deficiency in internal control over compliance, described in the accompanying schedule of findings and questioned costs as Finding 2019-001, that we consider to be a significant deficiency.

Western North Carolina Community Health Services, Inc.'s response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Western North Carolina Community Health Services, Inc.'s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Purpose of this Report

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.

CARTER, P.C.

Asheville, North Carolina
November 18, 2020

WESTERN NORTH CAROLINA COMMUNITY HEALTH SERVICES, INC.

Schedule of Expenditures of Federal and State Awards
Year Ended December 31, 2019

<u>Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/Pass-through Grantor Number</u>	<u>Expenditures</u>
FEDERAL AWARDS			
<u>U.S. Department of Health and Human Services</u>			
Health Resources and Services Administration:			
Health Center Program Cluster:			
Health Center Program	93.224		\$ 634,235
Grants for New and Expanded Services Under the Health Center Program	93.527		<u>1,952,535</u>
Total Health Center Program Cluster			2,586,770
 Ryan White HIV/AIDS Program Part C	 93.918		 622,944
Ryan White HIV/AIDS Program Part D Women, Infants, Children, and Youth	93.153		451,372
Passed through N.C. Department of Health and Human Services - Division of Public Health:			
Ryan White HIV/AIDS Program Part B	93.917	36466 & 38073	592,118
Passed through AIDS United / Fenway Institute:			
HIV Emergency Relief Project Grants (Ryan White HIV AIDS Program Part A	93.914	U69HA310670100	<u>126,174</u>
Total U.S. Department of Health and Human Services			4,379,378
<u>U.S. Department of Housing and Urban Development</u>			
Passed through N.C. Department of Health and Human Services - Division of Public Health:			
Housing Opportunities for Persons with AIDS	14.241	37540	<u>484,673</u>
Total expenditures of federal awards			<u>\$ 4,864,051</u>

WESTERN NORTH CAROLINA COMMUNITY HEALTH SERVICES, INC.

Schedule of Expenditures of Federal Awards (continued)
Year Ended December 31, 2019

Notes to the Schedule of Expenditures of Federal Awards

Note A - Basis of Presentation

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

Note B - Summary of Significant Accounting Policies

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

Note C - Indirect Cost Rate

Western North Carolina Community Health Services, Inc. has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

WESTERN NORTH CAROLINA COMMUNITY HEALTH SERVICES, INC.

Schedule of Findings and Questioned Costs
Year Ended December 31, 2019

Section I Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? _____ yes X no

Significant deficiency(ies) identified? _____ yes X none reported

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over compliance:

Material weakness(es) identified? _____ yes X no

Significant deficiency(ies) identified? X yes _____ none reported

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

Any audit findings disclosed that are required to be
reported in accordance with section 2 CFR
section 200.516(a)? X yes _____ no

Identification of major federal programs:

CFDA # 93.224 - Health Center Program

CFDA # 93.527 - Grants for New and Expanded Services Under the Health Center Program

The threshold for distinguishing Type A and Type B programs was \$750,000.

Western North Carolina Community Health Services, Inc. was not determined to be a low-risk auditee.

WESTERN NORTH CAROLINA COMMUNITY HEALTH SERVICES, INC.

Schedule of Findings and Questioned Costs (continued)
Year Ended December 31, 2019

Section II Financial Statement Findings

None reported.

Section III Federal Award Findings and Questioned Costs

Finding 2019-001 - Cash Management

Federal Programs:

Health Center Program (CFDA #93.224)

Grants for New and Expanded Services Under the Health Center Program (CFDA #93.527)

U.S. Department of Health and Human Services

SIGNIFICANT DEFICIENCY

NONCOMPLIANCE

Cash Management

Criteria: The Organization must pay for program costs prior to request for reimbursement by the Federal Government when grant funding is on a reimbursement basis.

Condition: The Organization made a draw of federal funds that were not disbursed for program expenses. The Organization is required to minimize the time elapsing between the transfer of funds to the Organization and the issuance of payments for program purposes by the Organization.

Context: \$154,730 out of a draw of \$374,521 was determined to be an advance draw for one out of three sampled draws.

Cause: The Organization did not identify qualifying expenditures prior to drawing down grant funds.

Effect: Grant funds were drawn in advance of qualifying expenditures. The draw included \$47,577 in supplementary funds that were not earned as of the end of the grant period and are reflected as deferred revenue. The funds are eligible for carry forward based on the grant terms.

Recommendation: Management should make additional efforts to ensure that advance draws of federal funds do not occur.

Views of Responsible Officials and Planned Corrective Actions: Management of the Organization agrees with this finding and will adhere to the Corrective Action Plan.

WESTERN NORTH CAROLINA COMMUNITY HEALTH SERVICES, INC.

Schedule of Findings and Questioned Costs (continued)
Year Ended December 31, 2019

Section III Federal Award Findings and Questioned Costs (continued)

Finding 2019-002 - Reporting

Federal Programs:

Health Center Program (CFDA #93.224)

Grants for New and Expanded Services Under the Health Center Program (CFDA #93.527)

U.S. Department of Health and Human Services

NONCOMPLIANCE

Reporting

Criteria: The federal award requires the Organization to file an annual report by April 30.

Condition: The annual report was not filed in a timely manner.

Cause: Reporting deadlines were not met due to a system not being in place to track due dates and status of those filings.

Context: We tested the required annual report filing for the major program.

Effect: Delays in reporting could subject the Organization to suspension of grant funding.

Recommendation: We recommend the Organization implement a system for tracking due dates of report filings and maintain calendar reminders to ensure deadlines are met.

Views of Responsible Officials and Planned Corrective Actions: Management of the Organization agrees with this finding and will adhere to the Corrective Action Plan.



Corrective Action Plan
Year Ended December 31, 2019

Section II Financial Statement Findings

None reported.

Section III Federal Award Findings and Questioned Costs

Finding 2019-001 - Cash Management

Federal Programs:

Health Center Program (CFDA #93.224)

Grants for New and Expanded Services Under the Health Center Program (CFDA #93.527)

U.S. Department of Health and Human Services

SIGNIFICANT DEFICIENCY

NONCOMPLIANCE

Cash Management

Name of Contact Persons: Cody McKinney, CFO

Corrective Action: Management implemented a new accounting software/system in January 2020 to more effectively and accurately track expenses that will then be requested for reimbursement from the Payment Management System. The new management team is also fully aware of the importance of spending federal funds for the purposes outlined for approved budgetary items.

Completion Date: January 1, 2020

Finding 2019-002 - Reporting

Federal Programs:

Health Center Program (CFDA #93.224)

Grants for New and Expanded Services Under the Health Center Program (CFDA #93.527)

U.S. Department of Health and Human Services

NONCOMPLIANCE

Reporting

Name of Contact Persons: Cody McKinney, CFO

Corrective Action: Management will implement a tracking system to monitor filing deadlines. This deadline was missed as COVID delayed completion of the audit, and we wanted to match our amounts to the final adjusted audit figures. Now that we are aware of an edit option in the EHB, we can file timely and adjust as needed.

Completion Date: September 1, 2020

WESTERN NORTH CAROLINA COMMUNITY HEALTH SERVICES, INC.

Summary Schedule of Prior Audit Findings
Year Ended December 31, 2019

Reported findings for the year ended December 31, 2018:

<u>Finding</u>	<u>Status</u>
2018-001	Corrected.
2018-002	Corrected.
2018-003	Corrected.

Reported findings for the year ended December 31, 2017:

<u>Finding</u>	<u>Status</u>
2017-001	Corrected.
2017-002	Corrected.