

**EAU CLAIRE COOPERATIVE HEALTH
CENTER, INC.**

Consolidated Financial Statements

December 31, 2019 and 2018
(With Independent Auditor's Report Thereon)

EAU CLAIRE COOPERATIVE HEALTH CENTER, INC.

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Independent Auditor's Report

The Governing Board
Eau Claire Cooperative Health Center, Inc.

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Eau Claire Cooperative Health Center, Inc. (the Organization) which comprise the consolidated statements of financial position as of December 31, 2019 and 2018, and the related consolidated statements of activities and changes in net assets, functional expenses and cash flows for the years then ended and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

Opinion

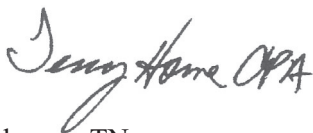
In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Eau Claire Cooperative Health Center, Inc. as of December 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 and Federal Awards is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our reported dated August 25, 2020 on our consideration of Eau Claire Cooperative Health Center, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Eau Claire Cooperative Health Center, Inc.'s internal control over financial reporting and compliance.



Lebanon, TN
August 25, 2020

Eau Claire Cooperative Health Center, Inc.
Consolidated Statements of Financial Position
December 31, 2019 and 2018

	2019	2018
ASSETS		
<i>Current Assets</i>		
Cash and Cash Equivalents	\$ 8,265,855	\$ 8,885,384
Accounts Receivable	2,753,122	2,199,578
Other Receivables	675,735	223,210
Inventory	341,251	264,699
Prepaid Expenses and Other Assets	68,825	119,832
Current Portion of Note Receivable	15,789	15,096
<i>Total Current Assets</i>	12,120,577	11,707,799
Note Receivable, less Current Portion	42,165	52,823
Property and Equipment, Net	18,390,508	18,698,083
Investments	2,880,231	2,660,517
Deferred Annuity	561,470	530,658
Restricted Cash - Loan Reserve	250,000	250,000
Total Assets	\$ 34,244,951	\$ 33,899,880
 LIABILITIES AND NET ASSETS		
<i>Current Liabilities</i>		
Accounts Payable	\$ 2,407,871	\$ 1,779,858
Accrued Compensated Absences	927,372	817,691
Accrued Payroll Liabilities	881,411	695,136
Deferred Revenue-Non Federal Grant	11,275	577,698
Deferred Revenue-Federal Grant	0	150,000
Current Portion of Deferred Annuity Payable	44,674	44,674
Current Portion of Notes Payable	885,000	886,065
Capital Lease	0	5,504
<i>Total Current Liabilities</i>	5,157,603	4,956,626
<i>Long-Term Liabilities</i>		
Deferred Annuity Payable	531,536	495,412
Notes Payable	7,340,880	8,159,812
Less Current Portion of Notes Payable	(885,000)	(886,065)
<i>Total Long-Term Liabilities</i>	6,987,416	7,769,159
Total Liabilities	12,145,019	12,725,785
<i>Net Assets</i>		
Net Assets - Without Donor Restrictions	21,538,860	21,162,545
Net Assets - With Donor Restrictions	561,072	11,550
<i>Total Net Assets</i>	22,099,932	21,174,095
Total Liabilities and Net Assets	\$ 34,244,951	\$ 33,899,880

The accompanying notes are an integral part of this consolidated financial statement.

Eau Claire Cooperative Health Center, Inc.
Consolidated Statements of Activities and Changes in Net Assets
For the Years Ended December 31, 2019 and 2018

	2019	2018
Support and Revenues:		
Net Patient Revenue	\$ 35,817,957	\$ 35,188,956
Public Support - Federal Grants	9,286,070	8,967,054
Other Grants	1,667,239	2,370,631
Donations	2,307,272	2,116,384
Medical Records and Other Income	266,730	132,623
Cooperative Conference Center Income	321,753	0
Net Assets Released From Restriction	555,873	0
 Total Support and Revenues	50,222,894	48,775,648
Expenses:		
Program Services Expenses	35,714,479	34,494,721
General and Administrative Expenses	14,179,088	11,826,671
Cooperative Conference Center Expenses	446,256	0
 Total Expenses	50,339,823	46,321,392
 Changes in Net Assets From Operations	(116,929)	2,454,256
Other Income and Expenses:		
Net Investment Income	296,934	52,767
Interest Income	25,772	20,288
State Grants For Acquisition of Property	170,538	125,174
 Total Other Income and Expenses	493,244	198,229
 Changes in Net Assets Without Donor Restriction	\$ 376,315	\$ 2,652,485
 Net Assets With Donor Restriction		
Contributions	\$ 1,105,395	\$ 11,550
Net Assets Released from Restriction	(555,873)	0
Change in Net Assets With Donor Restrictions	549,522	11,550
 Total Change in Net Assets	925,837	2,664,035
 Net Assets at Beginning of Year	21,174,095	18,510,060
 Net Assets at End of Year	\$ 22,099,932	\$ 21,174,095

The accompanying notes are an integral part of this consolidated financial statement.

Eau Claire Cooperative Health Center, Inc.
Consolidated Statements of Functional Expenses
For the Years Ended December 31, 2019 and 2018

2019	Health Center		Cooperative Conference Center	2019 Total
	Program Services	General and Administrative		
Salaries and Wages	\$ 16,764,776	\$ 9,292,091	\$ 264,952	\$ 26,321,819
Fringe Benefits	3,520,372	1,951,211	41,695	5,513,278
Purchased Services and Professional Fees	2,412,928	824,333	26,694	3,263,955
Supplies	8,532,146	648,984	82,702	9,263,832
Depreciation and Amortization	715,063	158,886	1,400	875,349
Rental	432,758	108,189	2,455	543,402
Travel, Communication, and Other	3,336,436	1,195,394	26,358	4,558,188
Total	\$ 35,714,479	\$ 14,179,088	\$ 446,256	\$ 50,339,823

2018	Health Center		Cooperative Conference Center	2018 Total
	Program Services	General and Administrative		
Salaries and Wages	\$ 16,719,378	\$ 7,935,330	\$ 0	\$ 24,654,708
Fringe Benefits	3,114,815	1,478,349	0	4,593,164
Purchased Services and Professional Fees	2,854,606	972,249	0	3,826,855
Supplies	8,483,662	381,115	0	8,864,777
Depreciation and Amortization	576,473	127,397	0	703,870
Rental	560,264	140,066	0	700,330
Travel, Communication, and Other	2,185,523	792,165	0	2,977,688
Total	\$ 34,494,721	\$ 11,826,671	\$ 0	\$ 46,321,392

The accompanying notes are an integral part of this consolidated financial statement.

Eau Claire Cooperative Health Center, Inc.
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2019 and 2018

	2019	2018
Cash Flows From Operating Activities		
Changes in Net Assets	\$ 925,837	\$ 2,664,035
<i>Adjustments:</i>		
Depreciation	875,349	703,870
Net Realized and Unrealized Gains	(264,246)	(52,697)
Proceeds From Grant for Acquisition of Assets	(170,538)	(125,174)
Change in:		
Accounts Receivable	(553,544)	49,610
Other Receivable	(452,525)	1,740,471
Inventory	(76,552)	(66,698)
Prepaid Expenses and Other Assets	51,007	(95,798)
Deferred Annuity	(30,812)	44,674
Accounts Payable	628,013	340,319
Accrued Payroll Liabilities	295,956	278,956
Deferred Annuity Payable	36,124	(41,072)
Deferred Revenue-Non Federal Grant	(566,423)	(265,929)
Deferred Revenue-Federal Grant	(150,000)	150,000
Net Cash Flows From Operating Activities	547,646	5,324,567
Cash Flows From Investing Activities		
Purchases of Property, Plant and Equipment	(567,774)	(5,981,892)
Purchases of Investments	(1,180,415)	(987,017)
Proceeds from Disposals of Investments	1,224,947	54,341
Proceeds from Grant for Acquisition of Assets	170,538	125,174
Principal Payments for Note Receivable	9,965	12,081
Change in Allowance for Uncollectible Note Receivable	0	(80,000)
Net Cash Flows From Investing Activities	(342,739)	(6,857,313)
Cash Flows From Financing Activities		
Principal Payments on Long Term Debt	(861,259)	(597,831)
Proceeds From Notes Payable	36,823	4,445,068
Net Cash Flows From Financing Activities	(824,436)	3,847,237
Net Increase (Decrease) in Cash	(619,529)	2,314,491
Cash at Beginning of The Year, including Restricted Cash	9,135,384	6,820,893
Cash at End of The Year, including Restricted Cash	\$ 8,515,855	\$ 9,135,384
Supplemental Data:		
Interest Paid in Financing Activities	\$ 414,961	\$ 318,682

The accompanying notes are an integral part of this consolidated financial statement.

EAU CLAIRE COOPERATIVE HEALTH CENTER, INC.

Notes to Consolidated Financial Statements

December 31, 2019 and 2018

(1) Nature of Activities and Summary of Significant Accounting Policies

(a) Nature of The Business

Eau Claire Cooperative Health Center, Inc.(ECCHC) is a not-for-profit corporation organized under the laws of the State of South Carolina that provides outpatient health care services and qualifies as a Federally Qualified Health Center (FQHC). ECCHC is principally funded through payments from Medicare, Medicaid, private insurance and patients and funding is also obtained through support provided by the Department of Health and Human Services, Health Resource and Services Administration (HRSA) and through other third-party grants and contributions. Cooperative Conference Center, LLC is a limited liability company that is wholly owned by ECCHC. and was organized under the laws of the State of South Carolina in December 2018 to manage venue rental and related services. Eau Claire Cooperative Health Center, Inc. and Cooperative Conference Center, LLC (collectively, the Organization) are located in Columbia, South Carolina.

(b) Basis of Presentation

The consolidated 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 (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

(c) Principles of Consolidation

The consolidated financial statements of the Organization include the accounts and transactions of Eau Claire Cooperative Health Center, Inc. and Cooperative Conference Center, LLC. All material intercompany accounts and transactions have been eliminated in consolidation.

(d) Cash and Cash Equivalents

The Organization considers all liquid investments, other than those limited as to use, with original maturities of three months or less to be cash equivalents. At December 31, 2019 and 2018, cash equivalents consisted primarily of money market accounts. At December 31, 2019, \$3,506,676 exceeded Federal Deposit Insurance Coverage or and was not otherwise secured by Federal Securities.

EAU CLAIRE COOPERATIVE HEALTH CENTER, INC.

Notes to Consolidated Financial Statements

December 31, 2019 and 2018

(e) Accounts Receivable

Patient accounts receivable include amounts due from federal and state agencies (under the Medicare and Medicaid programs), commercial insurance companies, and patients. These receivables are subject to explicit and implicit discounts based on contractual agreements, discount policies, and management's assessment of historical experience. These discounts are reflected in the period of services.

(f) Grants and Contributions Receivable

Receivables for grants, such as Federal grants and other grants and contributions, are recognized as support if the donor communicates an unconditional promise to give to the Organization. Conditional promises to give are not recognized as support until the donor's conditions are substantially met. Contributions that are restricted by the donor (e.g., as to the passage of time or use for a specific purpose), are reported as increases in net assets with donor restrictions. Upon satisfaction or expiration of a donor restriction, the applicable net assets are reclassified to net assets without donor restrictions.

Contributions are recorded at fair value on the date received. The fair value of an unconditional promise to give to the Organization that is expected to be received after one year is deemed to be equal to its estimated present value based on a risk-free interest rate for issues with a similar maturity.

(g) Inventory

Inventories of supplies are stated at the lower of cost (first in, first out) or market.

(h) Property and Equipment

Property and equipment assets are reported based on cost less accumulated depreciation. Donated property and equipment are recorded at estimated fair value at the date of contribution. Depreciation expense is calculated on the straight-line method over estimated useful lives of the assets, which generally range from three to ten years for furniture and equipment and fifteen to thirty years for land and leasehold improvements. Maintenance and repair costs are expensed when incurred, and expenditures for improvements are capitalized. The threshold for capitalization is \$1,000. When property is retired or sold, the cost and related accumulated depreciation are removed from the accounts, and the resulting gain or loss is included in the change in net assets for the applicable period.

Property and equipment acquired with DHHS funds are considered to be owned by the Organization while used in the program or in future authorized programs. However, DHHS retains a reversionary interest in these assets as well as the right to determine the use of any proceeds from the sale of such assets. Accordingly, the Organization may not transfer, mortgage, assign, lease or in any other manner encumber certain property items without the prior approval of DHHS.

(i) Investments

The Organization reports investments in equity securities having readily determinable fair values at fair value. These investments are reported in accordance with the fair value measurement and disclosure topic of the Financial Accounting Standards Board, 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 and the lowest priority to unobservable inputs.

EAU CLAIRE COOPERATIVE HEALTH CENTER, INC.

Notes to Consolidated Financial Statements

December 31, 2019 and 2018

The three levels of the fair value hierarchy are as follows: Level 1 – inputs to the valuation are unadjusted quoted prices for identical assets in active markets, Level 2 – inputs to the valuation are quoted prices or observable inputs for similar assets in active or inactive markets, and Level 3 – inputs to the valuation are unobservable. Changes in valuation techniques could result in transfers in or out of an assigned level within the hierarchy. There were no changes in the Organization’s valuation techniques during the years ended December 31, 2019 and 2018.

The methodologies used for fair value measurements of CDs are based on cost, which approximates fair value. Methodologies used for fair value measurements of mutual funds and debt securities are valued using quoted market prices. Other investments are reported on the equity method of accounting based on the Organization’s participation in and influence over the investee. The deferred annuity is reported based on quoted market prices for underlying investments in the portfolio.

Investment income, including unrealized gains or losses earned on investments, is recognized as income without donor restriction unless specifically restricted by the donor.

(j) Contributions

To determine the appropriate revenue recognition policy, the Organization assesses whether the transaction is an exchange or non-exchange transaction in accordance with accounting standards. In general, an exchange transaction consists of an exchange of goods and/or services for commensurate value. Transactions that consist of transferring goods and/or services without receiving commensurate value in return are considered non-exchange transactions.

Revenue from Exchange Transactions: Revenue related to exchange transactions is recognized as goods and/or services are provided and is based on the amount expected to be received in exchange for those goods and/or services. Revenue recognized as exchange transactions primarily includes net patient service revenue and pharmacy revenue.

Revenue from Non-Exchange Transactions: Non-exchange transactions include contributions and grants for which the transferor does not receive commensurate value in return for the funding. Revenue recognized as non-exchange transactions primarily include Federal grant revenue and other grants and contributions revenue.

(k) Expense Allocation

Some expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation, interest, and office and occupancy, which are allocated on a square-footage basis, as well as salaries and benefits, which are allocated on the basis of estimates of time and effort.

(l) Income Taxes

The Organization is a non-profit corporation as described in Section 501c (3) of the Internal Revenue Code and is exempt from Federal income taxes on related income pursuant to Section 501 (1) of the Code. However, the Organization is subject to federal income tax on any unrelated business taxable income. As of the date of this report, the current and two most recent prior years are available for IRS audit.

EAU CLAIRE COOPERATIVE HEALTH CENTER, INC.

Notes to Consolidated Financial Statements

December 31, 2019 and 2018

(m) Estimated Amounts

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts of assets and liabilities and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and such differences could be material. Significant estimates used by management in preparing these financial statements principally include those assumed in establishing the implicit discounts associated with accounts receivable and the estimated useful lives of property and equipment.

(n) Concentration of Credit and Market Risk

Financial instruments that potentially expose the Organization to concentrations of credit and market risk consist primarily of patient accounts receivable, which consists of amounts owed by various governmental agencies, insurance companies, and self-pay patients. The Organization manages credit risk related to receivables by recording revenue net of implicit discounts.

(o) Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation.

(p) Adoption of New Accounting Guidance

During the fiscal year ended December 31, 2019, the Organization adopted Accounting Standards Update (“ASU”) 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* and ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*.

ASU 2018-08 clarifies the definition of an exchange and non-exchange transaction and provides guidance on determining whether a non-exchange transaction (contribution) is conditional or unconditional. This ASU was adopted using the modified prospective method. The adoption of this standard resulted in significant changes in the Organization’s statement of financial position. These changes are a result of non-exchange transactions presented as grants and contracts with deferred revenue in the statement of financial position at December 31, 2018 being presented as grants with net assets with donor restrictions in statement of financial position at December 31, 2019.

ASU 2014-09 implements a single framework for recognition of all revenue earned from customers in exchange contracts. This framework ensures that entities appropriately reflect the consideration to which they expect to be entitled in exchange for goods and services by allocating transaction price to identified performance obligations and recognizing revenue as performance obligations are satisfied. Qualitative and quantitative disclosures are required to enable users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The ASU was adopted using the modified retrospective method. The adoption of this standard changed the presentation of revenue related to uninsured and underinsured patients but did not materially affect the amount of net patient revenue recognized for these patients. Under ASU 2014-09, estimated uncollectible amounts due from these patients are generally considered implicit price concessions, presented as a direct reduction to patient service revenue, and not presented separately as a provision for bad debts. Similarly, the related receivables from these patients are presented net of estimated allowances for implicit price concessions, and separate presentation of an allowance for bad debts has been eliminated.

EAU CLAIRE COOPERATIVE HEALTH CENTER, INC.

Notes to Consolidated Financial Statements

December 31, 2019 and 2018

Due to the adoption of the new accounting guidance, certain prior year balances have been reclassified to conform to the current year presentation. There was no change in net assets at December 31, 2018, and there was no effect on the change in net assets for the year ended December 31, 2018 as a result of the adoption of the new accounting guidance.

(2) Fair Value of Financial Instruments

Fair values of the Organization's financial instruments (principally cash and cash equivalents, certificates of deposit, investments, accounts receivable, and contributions receivable) are summarized in the accompanying Statements of Financial Position. Significant fair value measurement principles and assumptions used by the Organization are described in Note 1.

(3) Availability and Liquidity

The following represents the Organization's financial assets at December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Cash and Cash Equivalents	\$ 8,265,855	\$ 8,885,384
Investments	2,880,231	2,660,517
Accounts Receivable	2,753,122	2,199,578
Other Receivables	<u>675,735</u>	<u>223,210</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 14,574,943</u>	<u>\$ 13,968,689</u>

The Organization's goal is generally to maintain financial assets to meet 90 days of operating expenses (approximately \$12.2 million). As part of its liquidity plan, excess cash may be invested in short-term investments, including money market accounts.

(4) Accounts Receivable

At December 31, 2019 and 2018, the Organization's accounts receivables were comprised of balances due from the following sources:

	<u>2019</u>	<u>2018</u>
Medicare	\$ 166,833	\$ 217,975
Medicaid	1,476,413	782,134
Commercial Insurance	928,278	964,790
Self Pay	<u>181,598</u>	<u>234,679</u>
Accounts Receivable	<u>\$ 2,753,122</u>	<u>\$ 2,199,578</u>

EAU CLAIRE COOPERATIVE HEALTH CENTER, INC.

Notes to Consolidated Financial Statements

December 31, 2019 and 2018

(5) Other Receivables

At December 31, 2019 and 2018, the Organization's other receivables were comprised the following:

	2019	2018
Direct Federal Grants	\$ 276,548	\$ 0
Parents as Teachers Grant	58,141	66,710
Precision Medicine Initiative Grant	168,300	0
Advanced Nursing Education Workforce Grant	85,629	0
Other Grants Receivable	59,368	5,300
Receivable from Subgrantee	0	150,000
Cooperative Conference Center Receivables	26,563	0
Other Receivables	1,186	1,200
Total Other Receivables	\$ 675,735	\$ 223,210

The other receivables are due within one year and have not been discounted. Management has determined that no allowance for was necessary at December 31, 2019 and 2018.

(6) Inventories

The Organization records medical supplies as expenses as incurred. On an annual basis, the Organization and all clinical sites conduct a physical inventory of pharmaceutical inventories. Upon the completion of the physical inventory, the final values are adjusted to the actual inventory per the physical count, which is recorded at cost. The value of the inventory is determined on the First In, First Out Basis (FIFO).

(7) Property and Equipment

A summary of property and equipment at December 31, 2019 and 2018 is as follows:

	2019	2018
Land	\$ 2,134,824	\$ 1,733,577
Buildings and Building Improvements	19,365,605	15,445,457
Furniture and Fixtures	254,826	254,826
Equipment	4,697,572	4,610,177
Vehicles	162,239	132,740
Leasehold Improvements	354,835	440,347
Construction in Process	0	3,784,213
Total	26,969,901	26,401,337
Less Accumulated Depreciation	(8,579,393)	(7,703,254)
Property, Plant and Equipment, Net	\$ 18,390,508	\$ 18,698,083

Property and equipment is depreciated on a straight-line basis over the estimated useful life. The depreciation for the fiscal year ended December 31, 2019 and 2018 was \$875,349 and \$690,835.

EAU CLAIRE COOPERATIVE HEALTH CENTER, INC.

Notes to Consolidated Financial Statements

December 31, 2019 and 2018

(8) Fair Value Measurements

The following table sets forth by level, within fair value hierarchy, the Organization's investments at fair value at December 31, 2019 and 2018.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
December 31, 2019				
Certificates of Deposit	\$ 527,200	\$ 0	\$ 0	\$ 527,200
Mutual Funds	1,415,138	0	0	1,415,138
Debt Securities	<u>937,893</u>	<u>0</u>	<u>0</u>	<u>937,893</u>
Total investments, at fair value	\$ 2,880,231	\$ 0	\$ 0	\$ 2,880,231
Deferred Annuity	<u>561,470</u>	<u>0</u>	<u>0</u>	<u>561,470</u>
Total, at fair value	<u>\$ 3,441,701</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 3,441,701</u>
December 31, 2018				
Certificates of Deposit	\$ 697,611	\$ 0	\$ 0	\$ 697,611
Mutual Funds	964,659	0	0	964,659
Debt Securities	<u>998,247</u>	<u>0</u>	<u>0</u>	<u>998,247</u>
Total investments, at fair value	\$ 2,660,517	\$ 0	\$ 0	\$ 2,660,517
Deferred Annuity	<u>530,658</u>	<u>0</u>	<u>0</u>	<u>530,658</u>
Total, at fair value	<u>\$ 3,191,175</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 3,191,175</u>

During the years ended December 31, 2019 and 2018, the Organization's net investment income was comprised of the following:

	<u>2019</u>	<u>2018</u>
Net Realized Capital Gains (Losses)	\$ 94,874	\$ 76,689
Net Change in Net Unrealized Capital Gains (Losses)	153,361	(23,992)
Dividends and Interest	54,978	2,670
Fees	<u>(6,279)</u>	<u>(2,600)</u>
Net Investment Income (Loss)	<u>\$ 296,934</u>	<u>\$ 52,767</u>

(9) Investment in Equity Investee

The Organization is a partner in Amicus Health, LLC (Amicus), which was established to provide contracted laboratory services to Federally Qualified Health Centers in South Carolina. During the year ended December 31, 2014, the Organization purchased a 31% ownership in Amicus for \$126,179. Based on negative equity reported by Amicus, the Organization has reduced its equity investment in Amicus to \$0 in the accompanying statements financial positions for the years ended December 31, 2019 and 2018.

EAU CLAIRE COOPERATIVE HEALTH CENTER, INC.

Notes to Consolidated Financial Statements

December 31, 2019 and 2018

The Organization made cash loans totaling \$80,000 to Amicus during the years ended December 31, 2014 and 2015. Beginning April 2018, the note requires 60 monthly payments of \$1,491 of principal and interest and accrues interest at 4.50%. During the years ended December 31, 2019 and 2018, the Organization received principal payments of \$9,965 and \$12,081, respectively, from Amicus.

The Organization purchased laboratory services from Amicus totaling \$150,155 and \$292,852 during the years ended December 31, 2019 and 2018, respectively.

(10) Deferred Annuity

The Organization entered into a deferred compensation agreement with its former chief executive officer (CEO) effective November 25, 2008. In conjunction with the deferred compensation agreement, the Organization executed an annuity contract with Genworth Life and Annuity Company with the former CEO as the annuitant and the Organization as the owner. Between execution of the annuity contract and March 16, 2017, the Organization paid premiums totaling \$480,000 to the annuity. On March 16, 2017, the contract was annuitized at \$598,457. Also on March 16, 2017, the annuity began making monthly payments of \$3,723 to the former CEO. The annuity contract guarantees monthly payments of \$3,723 through the greater of the date of the former CEO's death or fifteen years. The annuity is charged an administrative fee of 1.5% of the net assets of the portfolio annually on the anniversary date of March 16th. The Organization is responsible for any liability whereby the annuity obligations exceed the annuity assets. A summary of amounts related to the annuity are as follows at December 31:

	2019	2018
Change in Deferred Annuity Asset		
Asset at Beginning of Year	\$ 530,658	\$ 558,501
Market Return	75,487	16,831
Benefits Paid	(44,675)	(44,674)
Asset at End of Year	\$ 561,470	\$ 530,658
Change in Deferred Annuity Payable		
Payable at Beginning of Year	\$ 540,086	\$ 575,331
Change in Estimated Benefit Obligation	80,799	9,429
Benefits Paid	(44,675)	(44,674)
Payable at End of Year	\$ 576,210	\$ 540,086
Estimated Future Required Funding		
Asset at End of Year	\$ 561,470	\$ 530,658
Liability at End of Year	576,210	540,086
Net Deferred Annuity Liability	\$ (14,740)	\$ (9,428)

(11) Assets With Limited Use

Pursuant to a loan agreement between the Organization and National Bank of South Carolina, the Organization is required to maintain a reserve account to service a loan issued by the Organization to NBSC. At December 31, 2019, this reserve account was fully funded in the amount of \$250,000.

EAU CLAIRE COOPERATIVE HEALTH CENTER, INC.

Notes to Consolidated Financial Statements

December 31, 2019 and 2018

(12) Deferred Revenue

The Organization received state and private grants to fund construction and other projects for which the related funds were not earned during the year, resulting in deferred grant revenue \$577,698 at December 31, 2018. In addition, the Organization received federal grants during the year ended December 31, 2018 for which funds were not expended, resulting in federal deferred grant revenue of \$150,000 at December 31, 2018.

The Organization had deferred revenue of \$11,275 at December 31, 2019 for future conference center rentals. As disclosed in Note 1, the Organization adopted ASU 2018-18 during the year ended December 31, 2019. Awards received as part of non-exchange transactions are now reported as net assets with donor restriction if the related restriction is not met prior to the Organization's year end.

(13) Notes Payable

The Organization issued a \$5,940,465 note payable with National Bank of South Carolina for clinic property. The note matures on May 2, 2021, accrues interest at 3.00% and requires monthly payments of principal and interest, with a balloon payment of \$1,733,989. As of December 31, 2019 and 2018, the balances of this obligation were \$2,256,407 and \$2,718,140, respectively. These balances are net of amortized loan acquisition costs of \$18,339 and \$31,517 at December 31, 2019 and 2018, respectively.

The Organization has a note payable with National Bank of South Carolina for the Behavioral Health Building with an original amount of \$850,000, which matures on September 26, 2023. This note accrues interest at 4.85% and requires monthly payments of \$4,671. As of December 31, 2019 and 2018, the balances on this obligation were \$456,618 and \$500,292, respectively.

The Organization has a note payable with the National Bank of South Carolina for the location located at 404 Fair Street with an original amount of \$250,000, which matures on July 24, 2019. This note accrues interest at 4.50% and requires monthly payments of \$1,921. As of December 31, 2019 and 2018, the balances on this obligation were \$0 and \$207,091, respectively.

The Organization has a note payable with First Citizens Bank of South Carolina for renovations of the Harden Street Building with an original amount of \$230,000, which matures on January 3, 2020. This note accrues interest at 4.45% and requires monthly payments of \$1,761, with a balloon payment of the unpaid balance upon maturity. As of December 31, 2019 and 2018, the balances on this obligation were \$167,535 and \$180,794, respectively.

The Organization has a note payable with the County of Lexington for the Pelion Construction with an original amount of \$100,000, which matures on June 15, 2022. This note accrues interest at 0% and requires monthly payments of \$1,190. As of December 31, 2019 and 2018, the balances on this obligation were \$39,310 and \$53,590, respectively.

The Organization has a note payable with USDA that is collateralized by the Eastover Building with an original amount of \$1,202,584, of which \$1,151,224 had been drawn at December 31, 2018. The Organization drew an additional \$51,360 in 2019. This note matures on July 6, 2052 and accrues interest at 3.25%. This note requires monthly payments of principal and interest of \$4,974. As of December 31, 2019 and 2018, the balances on this obligation were \$1,188,047 and \$1,151,224, respectively.

EAU CLAIRE COOPERATIVE HEALTH CENTER, INC.

Notes to Consolidated Financial Statements

December 31, 2019 and 2018

The Organization has a note payable with First Citizens Bank of South Carolina for the purchase of the Columbia Convention Center with an original amount of \$3,400,000, which matures on May 22, 2025. This note accrues interest at 4.70% and requires monthly payments of \$21,879, with a balloon payment of the unpaid balance upon maturity. As of December 31, 2019 and 2018, the balances on this obligation were \$3,232,963 and \$3,348,681, respectively.

Interest incurred and expensed during the years ended December 31, 2019 and 2018 totaled \$414,961 and \$318,682, respectively. The principal balance of notes payable are due as follows for the years ending December 31:

2020		\$	885,000
2021			1,935,851
2022			192,225
2023			193,410
2024			202,159
Thereafter			<u>3,950,574</u>
Total		\$	7,359,219
Less Loan Acquisition Costs			<u>(18,339)</u>
Total Notes Payable			<u><u>7,340,880</u></u>

(14) Operating Leases

The Organization leases clinic space and office space under various operating leases. Additionally, the Organization leases numerous types of equipment under various operating leases with monthly payments ranging from \$69 to \$4,200. Rent expense under operating leases for the year ended December 31, 2019 was \$198,251. Future minimum lease payments are as follow for the years ending December 31:

2020		\$	193,962
2021			181,240
2022			110,979
2023			68,000
2024			55,000
Thereafter			<u>261,250</u>
Total		\$	<u><u>870,431</u></u>

(15) Net Assets With Donor Restriction

The following is a summary of the Organization's net assets with donor restrictions at December 31:

	<u>2019</u>	<u>2018</u>
<u>Net Assets Restricted for Specific-Use:</u>		
Building Improvements	\$ 362,571	\$ 0
Clinical Screening	73,632	0
Family Planning Personnel	115,719	0
Other Specific Purposes	<u>9,150</u>	<u>11,550</u>
Total Net Assets With Donor Restriction	<u><u>\$ 561,072</u></u>	<u><u>\$ 11,550</u></u>

EAU CLAIRE COOPERATIVE HEALTH CENTER, INC.

Notes to Consolidated Financial Statements

December 31, 2019 and 2018

(16) Medical Malpractice Coverage

The Bureau of Primary Health Care, in accordance with Section 224 of the Public Health Service Act, provides liability protection to the Organization under the Federal Tort Claims Act (FTCA) for damage for personal injury, including death, resulting from the performance of medical, surgical, dental, and related functions. The FTCA coverage is comparable to an “occurrence” policy without a monetary cap.

(17) Patient Revenue

The Organization recognizes patient service revenue in the period in which performance obligations under its contracts are satisfied by transferring services to patients. All services are performed in an outpatient setting, and the Organization measures the performance obligation on the date of the outpatient visit. Bills to patients and third-party payors are generally sent within a few days or weeks of the outpatient visit.

The Organization maintains agreements with The Centers for Medicare and Medicaid Services under the programs that govern payments for services rendered to patients covered by these agreements. The agreements generally provide for per case or per diem rates or payments based on discounted charges or fee schedules. Certain contracts also provide for payments that are contingent upon meeting agreed upon quality and efficiency measures.

The Organization recognizes net patient service revenue associated with services provided to patients who have third-party payer coverage based on contractual rates for the services rendered.

The Organization also provides either full or partial charity care to patients who cannot afford to pay for their medical services based on income and family size. Charity care is generally available to qualifying patients for medically necessary services. As there is no expectation of collection, there is no net patient service revenue recorded related to charity care. The cost of providing charity care for the fiscal years ended 2019 and 2018 was \$782,546 and \$712,278, respectively.

For uninsured patients that do not qualify for charity care, the Organization recognizes revenue based on its standard rates (subject to discounts) for services provided. Based on historical experience, a significant portion of uninsured patients are unable or fail to pay for the services provided. Consequently, the Organization determined it has provided implicit discounts to uninsured patients. These discounts represent the difference between amounts billed to patients and amounts expected to be collected based on historical experience. Prior to the adoption of ASU 2014-09, a provision for bad debts of \$465,757 was recorded at December 31, 2018 that represented charges for services provided that were deemed to be uncollectible.

The following summarizes net patient service revenue, net of contractual allowances and discounts by significant payer for the years ended December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Medicare	\$ 2,773,996	\$ 2,842,430
Medicaid	17,130,375	17,924,744
Commercial Insurance	14,537,812	13,748,025
Self Pay	<u>1,375,774</u>	<u>673,757</u>
Total Patient Revenue	<u>\$ 35,817,957</u>	<u>\$ 35,188,956</u>

EAU CLAIRE COOPERATIVE HEALTH CENTER, INC.

Notes to Consolidated Financial Statements

December 31, 2019 and 2018

(18) Federal Grant Support

During the years ended December 31, 2019 and 2018, the Organization received direct and pass through federal grants. Under the terms of these grants the Organization is required to comply with certain federal guidelines and the grantor retains a residual interest in assets acquired with grant funds. The following is a summary of federal grants received during the years ended December 31:

	2019	2018
U.S. Department of Health and Human Services	\$ 8,828,821	\$ 8,600,201
Pass Through Federal Grants	457,249	366,853
Total Federal Grants	\$ 9,286,070	\$ 8,967,054

(19) Donations

The Organization received gift-in-kind supplies, services, and other property in addition to cash contributions during the years ended December 31, 2019 and 2018. The reported amount of contributions and expenses related to gift-in-kind donations are based on estimated fair value for related property and services and are as follows for the years ended December 31:

	2019	2018
Pharmaceuticals	\$ 2,204,146	\$ 2,031,080
Clinic Personnel Services	83,097	80,628
Other Property	13,750	0
Cash	6,279	4,676
Total Donations	\$ 2,307,272	\$ 2,116,384

(20) 340B Revenue

The Organization has a network of participating pharmacies that dispense the pharmaceuticals to its patients under contract arrangement with the Organization. The Organization participates in the 340B “Drug Discount Pricing Program” which enables qualifying health care providers to purchase drugs from pharmaceutical suppliers at a substantial discount. The 340B Drug Discount Pricing Program is managed by the Health Resources and Services Administration (HRSA) Office of Pharmacy Affairs. The Organization earns revenue under this program by purchasing pharmaceuticals at a reduced cost to fill prescriptions to qualified patients. Reported 340B revenue consists of the in-house pharmacy sales and reimbursement from the network of participating pharmacies.

	2019	2018
Gross Receipts	\$ 12,336,814	\$ 11,927,933
Drug Replenishment and Other Costs	(6,246,703)	(4,096,281)
Net 340B Revenue	\$ 6,090,111	\$ 7,831,652

The 340B gross receipts are included in patient revenue in the statements of activities and changes in net assets. The drug replenishment is included in supplies on the statement of functional expenses. The in-house pharmacy costs are included in their respective financial statement line items. The net 340B pharmacy revenue from this program is used in furtherance of the Organization’s mission.

EAU CLAIRE COOPERATIVE HEALTH CENTER, INC.

Notes to Consolidated Financial Statements

December 31, 2019 and 2018

(21) Contingencies

The Organization's management is of the opinion that its insurance coverage is adequate to cover any potential losses on asserted claims and is unaware of any incidents, which would ultimately result in loss in excess of the Organization's insurance coverage.

(22) Medical Malpractice Coverage

The Bureau of Primary Health Care, in accordance with Section 224 of the Public Health Service Act, provides liability protection to the Organization under the Federal Tort Claims Act (FTCA) for damage for personal injury, including death, resulting from the performance of medical, surgical, dental, and related functions. The FTCA coverage is comparable to an "occurrence" policy without a monetary cap.

(23) Retirement Plan

The Organization maintains a 403(b) retirement plan which covers employees who have completed three months of service. Each year the Organization's Board of Directors determines the amount of matching contribution up to \$2,000 per employee. The Organization's board of directors elected to make matching contributions of up to \$1,000 per employee for the year ended December 31, 2019. The total contributions for the years ended December 31, 2019 and 2018 were \$82,861 and \$81,562, respectively.

(24) Related Party Transactions

The Organization is required by its federal grantor to maintain a governing board of individuals of which more than 50% are users of the Organization. Therefore, the Organization does have related party transactions with those directors. These transactions were not material to the operation of the Organization and were conducted at "arms-length."

(25) Significant Source of Revenue

Approximately 19% and 18% of the Organization's revenue was provided by grants from the U.S. Department of Health and Human Services for the years ended December 31, 2019 and 2018, respectively. The Organization is dependent on this continued funding, and the absence of these grants could possibly have a negative effect on operations.

(26) Subsequent Events

Management has evaluated the events and transactions subsequent to the statement of financial position through the date of the auditor's report (the date the financial statements were available to be issued) for potential recognition or disclosure in the financial statements. Management has not identified any items requiring recognition or disclosure, other than the item below.

During March 2020, the United States began to see significant economic impacts related to the spread of novel coronavirus (COVID-19). At the date the financial statements were available to be issued, FQHCs across the United States, including the Organization, have experienced decreased patient revenue as a result of the general population's efforts to mitigate the spread of COVID-19. In addition, certain FQHCs, including the Organization, have received additional funding in 2020 from HRSA and other federal funding sources to provide for COVID-19 testing and to offset lost patient revenue. Management continues to monitor the Organization's operations and believes there is no recognition of this matter required in the accompanying December 31, 2019 and 2018 financial statements.

SUPPLEMENTAL SCHEDULES

EAU CLAIRE COOPERATIVE HEALTH CENTER, INC.

Schedule of Expenditures of Federal Awards

For the Year Ended December 31, 2019

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
<u>U.S. Department of Health and Human Services</u>				
Health Center Program Cluster Health Center Program (Community Health Centers, Migrant Health, Health Care for the Homeless, and Public Housing Primary Care) <i>Grant No. H80CS 00730</i>	93.224	N/A	N/A	\$ 2,168,430
Grants for New and Expanded Service under the Health Center Program <i>Grant No. H80CS 00730</i>	93.527	N/A	N/A	\$ <u>4,995,860</u>
Total Health Center Program Cluster				\$ 7,164,290
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease <i>Grant No. H76HA 24740</i>	93.918	N/A	N/A	\$ 733,163
Coordinated Services and Access to Research for Women, Infants, Children, and Youth <i>Grant No. H12HA 31110</i>	93.153	N/A	\$ 463,509	\$ <u>931,368</u>
Total Direct Grants				\$ <u><u>8,828,821</u></u>
Pass Through Grants Children's Trust Fund of South Carolina Maternal, Infant, and Early Childhood Home Visiting Grant Program <i>Grant No. 5-MIEC-F-2018</i>	93.870	N/A	N/A	\$ 371,619
University of South Carolina Advanced Nursing Education Workforce Grant Program <i>Grant No. 2T94HP30919</i>	93.247	N/A	N/A	\$ <u>85,630</u>
Total Pass Through Grants				\$ <u>457,249</u>
Total Federal Grants				\$ <u>9,286,070</u>
US. Department of Agriculture Community Facilities Loans and Grants	10.766			\$ <u>51,360</u>

EAU CLAIRE COOPERATIVE HEALTH CENTER, INC.

Notes to Schedule of Expenditures of Federal Awards

For the Year Ended December 31, 2019

Note A- Basis of Presentation

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

Note B-Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Eau Claire Cooperative Health Center, Inc. has elected not to use the 10 percent de minimus indirect cost rate allowed under Uniform Guidance.

Note C- Loans Outstanding

The Organization had the following loan balance outstanding at December 31, 2019:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Outstanding</u>
Community Facilities Loan	10.766	\$ 1,188,047



TERRY L. HORNE, CPA

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Independent Auditor's Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with Government Auditing Standards

The Governing Board
Eau Claire Cooperative Health Center, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Eau Claire Cooperative Health Center, Inc. which comprise the consolidated statements of financial position as of December 31, 2019, and the related consolidated statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated August 25, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Eau Claire Cooperative Health Center, Inc. internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Eau Claire Cooperative Health Center, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Eau Claire Cooperative Health Center, Inc.'s internal control.

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

Our consideration of internal control was for the limited purpose described in the 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Eau Claire Cooperative Health Center, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. **The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.**

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Jenny Home CPA". The signature is written in a cursive style.

Lebanon, TN
August 25, 2020



TERRY L. HORNE, CPA

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

The Governing Board
Eau Claire Cooperative Health Center, Inc.

Report on Compliance for Each Major Federal Program

We have audited Eau Claire Cooperative Health Center, 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 Eau Claire Cooperative Health Center, Inc.'s major federal programs for the year ended December 31, 2019. Eau Claire Cooperative Health Center, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Eau Claire Cooperative Health Center, 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 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 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 Eau Claire Cooperative Health Center, 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 Eau Claire Cooperative Health Center, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Eau Claire Cooperative Health Center, 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.

Report on Internal Control Over Compliance

Management of Eau Claire Cooperative Health Center, 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 Eau Claire Cooperative Health Center, 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 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 Eau Claire Cooperative Health Center, Inc.'s internal control over compliance.

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

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

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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Lebanon, TN
August 25, 2020

EAU CLAIRE COOPERATIVE HEALTH CENTER, INC.

Schedule of Findings and Questioned Costs

For the Year Ended December 31, 2019

Section A-Summary of Auditor's Results

Financial Statements

Type of auditor's 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 major programs:
Material Weakness(es) identified? _____yes X no
Significant Deficiency(ies) identified? _____yes X none reported

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

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

Identification of major programs:

CFDA Number

93.224 & 93.527

93.870

93.153

Name of Federal Program

Health Center Program Cluster

Children's Trust Fund of South Carolina Maternal, Infant, and Early Childhood Home Visiting Program

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

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? _____yes X no

EAU CLAIRE COOPERATIVE HEALTH CENTER, INC.

Schedule of Findings and Questioned Costs

For the Year Ended December 31, 2019

Section B- Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, fraud, noncompliance with provisions of laws, regulations, contracts, and grant agreements, and abuse related to the financial statements for which Government Auditing Standards requires reporting.

None

Section C-Federal Award Findings and Questioned Costs

This section identifies the audit findings required to be reported by 2 CFR 200.516(a), significant deficiencies, material weaknesses, material instances of noncompliance, including questioned costs, and material abuse.

None

Questioned Costs: None Reported

EAU CLAIRE COOPERATIVE HEALTH CENTER, INC.

Summary Schedule of Prior Year Audit Findings

December 31, 2019

Prior Year Finding: 2018-001

The Organization failed to comply with grant guidelines regarding federal grant funds. The grant funds were received and paid to a subgrantee that exceeded the grant authorized expenditures for the period, resulting in excess federal cash on hand.

Status of Finding: Resolved