Total Health Care, Inc.

Independent Auditor’s Reports
and Consolidated Financial Statements

June 30, 2019

Total Health Care, Inc.
June 30, 2019

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Independent Auditor's Report

Board of Directors
Total Health Care, Inc.
Baltimore, Maryland

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Total Health Care, Inc. (the "Organization"), which comprise the consolidated balance sheet as of June 30, 2019, and the related consolidated statements of operations, changes in net assets and cash flows for the year 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 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 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 consolidated financial position of Total Health Care, Inc., as of June 30, 2019, and the results of its operations, changes in net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As described in *Note 18* to the consolidated financial statements, in 2019, the Organization adopted Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities.* In addition, beginning net assets were restated to correct a misstatement for the matters discussed in *Note 19*. Our opinion is not modified with respect to these matters.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated 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*, as listed in the table of contents 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 information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating schedules, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2020, on our consideration of Total Health Care, 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 Total Health Care, 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 Total Health Care, Inc.'s internal control over financial reporting and compliance.

BKD, LLP

Springfield, Missouri
March 27, 2020

Total Health Care, Inc.
Consolidated Balance Sheet
June 30, 2019

Assets

Current Assets	
Cash	$ 3,807,871
Short-term investments	9,004,960
Assets limited as to use - current	697,960
Patient accounts receivable, net of allowance of $753,941	2,811,897
Grants and other receivables	3,094,378
Contributions receivable - current	1,399,284
Estimated amounts due from third-party payers	40,000
Supplies	313,211
Prepaid expenses and other	237,954
Total current assets	21,407,515
Assets Limited As To Use	
Internally designated	3,388,463
Externally restricted by donors	208,976
	3,597,439
Less amount required to meet current obligations	697,960
	2,899,479
Property and Equipment, at Cost	
Land	1,150,272
Buildings and leasehold improvements	19,880,112
Equipment	6,738,605
Furniture and fixtures	591,268
Construction in progress	1,323,819
	29,684,076
Less accumulated depreciation	20,731,933
	8,952,143
Other Assets	
Contributions receivable	3,023,299
Deposits and other assets	48,388
	3,071,687
Total assets	$ 36,330,824

Liabilities and Net Assets

Current Liabilities	
Accounts payable	$ 2,122,536
Accrued expenses	2,884,192
Total current liabilities	5,006,728
Accrued Rent Payable	261,587
Total liabilities	5,268,315
Net Assets	
Without donor restrictions	26,628,028
With donor restrictions	4,434,481
Total net assets	31,062,509
Total liabilities and net assets	$ 36,330,824

Total Health Care, Inc.
Consolidated Statement of Operations
Year Ended June 30, 2019

Revenues, Gains and Other Support Without Donor Restrictions	
Patient service revenue (net of contractual discounts and allowances)	$ 44,982,569
Provision for uncollectible accounts	(627,547)
Net patient service revenue less provision for uncollectible accounts	44,355,022
Grant revenue	12,348,447
Contribution revenue	88,203
Other revenue	252,039
Net assets released from restrictions used for operations	112,293
Total revenues, gains and other support without donor restrictions	57,156,004
Expenses and Losses	
Salaries and wages	24,833,558
Employee benefits	4,632,692
Purchased services and professional fees	6,478,304
Supplies and other	15,062,102
Rent	1,398,310
Depreciation	956,064
Interest	11,633
Pass-through to subrecipients	804,003
Total expenses and losses	54,176,666
Operating Income	2,979,338
Other Income	
Investment return, net	360,024
Excess of Revenues over Expenses and Increase in Net Assets Without Donor Restrictions	$ 3,339,362

Total Health Care, Inc.
Consolidated Statement of Changes in Net Assets
Year Ended June 30, 2019

Net Assets Without Donor Restrictions	
Excess of revenues over expenses	$ 3,339,362
Increase in net assets without donor restrictions	3,339,362
Net Assets With Donor Restrictions	
Contributions received	4,012,633
Net assets released from restriction	(112,293)
Increase in net assets with donor restrictions	3,900,340
Change in Net Assets	7,239,702
Net Assets, Beginning of Year, as Previously Reported	25,660,382
Adjustments Applicable to Prior Years	
Net assets without donor restrictions	(1,837,575)
Net Assets, Beginning of Year, as Restated	23,822,807
Net Assets, End of Year	$ 31,062,509

Total Health Care, Inc.
Consolidated Statement of Cash Flows
Year Ended June 30, 2019

Operating Activities		
Change in net assets	$	7,239,702
Items not requiring (providing) operating cash flow		
Depreciation		956,064
Net realized and unrealized loss on investments		205,894
Changes in		
Patient accounts receivable, net		(474,511)
Grants and other receivables		69,939
Contributions receivable		(3,903,845)
Prepaid expenses and other		191,936
Supplies		18,649
Accounts payable and accrued expenses		(254,562)
Other assets		(8,220)
Net cash provided by operating activities		4,041,046
Investing Activities		
Purchase of investments		(1,798,257)
Proceeds from disposition of investments		1,382,462
Purchase of assets limited as to use		(1,116,522)
Purchase of property and equipment		(1,463,311)
Net cash used in investing activities		(2,995,628)
Financing Activities		
Proceeds from line of credit		600,000
Principal payments on line of credit		(600,000)
Net cash provided by (used in) financing activities		-
Increase in Cash		1,045,418
Cash, Beginning of Year		2,762,453
Cash, End of Year	$	3,807,871
Supplemental Cash Flows Information		
Interest paid (net of amount capitalized)	$	11,633
Property and equipment acquisitions included in accounts payable and accrued expenses	$	750,593

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Total Health Care, Inc. (the "Health Center") primarily earns revenues by providing medical care, pharmaceuticals, mental health services and dental services through clinics located throughout Baltimore, Maryland.

Tuerk House, Inc. (THI), whose sole member is the Health Center, primarily earns revenues by providing comprehensive treatment and a transitional living environment in a home-like setting for chemically dependent people who meet the criteria for admission.

Tuerk House Properties, Inc. (THP), a wholly owned subsidiary of THI, primarily holds real property on behalf of THI.

Principles of Consolidation

The consolidated financial statements include all accounts and transactions of the Health Center, THI and THP (collectively, the "Organization"). All significant intercompany transactions and balances have been eliminated in consolidation.

Use of Estimates

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

Cash

At June 30, 2019, the Organization's cash accounts exceeded federally insured limits by approximately $5,115,000.

Investments and Investment Return

Investments in equity securities having a readily determinable fair value and in all debt securities are carried at fair value. Other investments are valued at the lower of cost (or fair value at time of donation, if acquired by contribution) or fair value. Investment return includes dividend, interest and other investment income; realized and unrealized gains and losses on investments carried at fair value; and realized gains and losses on other investments, less external and direct internal investment expense.

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in net assets without donor restrictions. Other investment return is reflected in the consolidated statements of operations and changes in net assets as with or without donor restrictions based upon the existence and nature of any donor or legally imposed restrictions.

Assets Limited as to Use

Assets limited as to use include (1) assets set aside by the Board of Directors for future capital improvements over which the Board retains control and may at its discretion subsequently use for other purposes and (2) assets restricted by State of Maryland Department of Labor, Licensing and Regulation as collateral for self-insured unemployment claims. Amounts required to meet current liabilities of the Organization are included in current assets.

Patient Accounts Receivable

Accounts receivable are reduced by an allowance for uncollectible accounts. In evaluating the collectability of accounts receivable, the Organization analyzes its past history and identifies trends for each of its major payer sources of revenue to estimate the appropriate allowance for uncollectible accounts and provision for uncollectible accounts. Management regularly reviews data about these major payer sources of revenue in evaluating the sufficiency of the allowance for uncollectible accounts.

For receivables associated with services provided to patients who have third-party coverage, the Organization analyzes contractually due amounts and provides an allowance for uncollectible accounts and a provision for uncollectible accounts, if necessary (for example, for expected uncollectible deductibles and copayments on accounts for which the third-party payer has not yet paid, or for payers who are known to be having financial difficulties that make the realization of amounts due unlikely).

For receivables associated with self-pay patients (which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), the Organization records a significant provision for uncollectible accounts in the period of services on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates (or the discounted rates if negotiated or provided by the sliding fee or other policy) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for uncollectible accounts.

The Organization's allowance for uncollectible accounts for self-pay patients is 88 percent of self-pay accounts receivable at June 30, 2019. The Organization's write-offs were approximately $1,234,000 for the year ended June 30, 2019.

Supplies

Supplies inventories consist of pharmaceutical products. Inventories are stated at the lower of cost or net realizable value. Costs are determined using the first-in, first-out (FIFO) method.

Property and Equipment

Property and equipment acquisitions are recorded at cost and are depreciated using the straight-line method over the estimated useful life of each asset. Assets under capital lease obligations and leasehold improvements are depreciated over the shorter of the lease term or their respective estimated useful lives.

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

Buildings and leasehold improvements	2 - 38 years
Equipment	2 - 20 years
Furniture and fixtures	3 - 10 years

Certain property and equipment have been purchased with grant funds received from various federal agencies. Such items may be reclaimed by the federal government if not used to further the grant's objectives.

Donations of property and equipment are reported at fair value as an increase in net assets without donor restrictions unless use of the assets is restricted by the donor. Monetary gifts that must be used to acquire property and equipment are reported as restricted support. The expiration of such restrictions is reported as an increase in net assets without donor restrictions when the donated asset is placed in service.

Long-Lived Asset Impairment

The Organization evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

No asset impairment was recognized during the year ended June 30, 2019.

Self-Insurance

The Organization has elected to self-insure certain costs related to employee health benefit programs. Costs resulting from noninsured losses are charged to income when incurred. The Organization's exposure is limited to each employee's health insurance deductible of $5,500 or $11,000, depending on the type of plan selected.

Net Assets with Donor Restrictions

Net assets with donor restrictions are those whose use by the Organization has been limited by donors to a specific time period or purpose.

Net Patient Service Revenue

The Organization has agreements with third-party payers that provide for payments to the Organization at amounts different from its established rates. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payers and others for services rendered and includes estimated retroactive revenue adjustments. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered and such estimated amounts are revised in future periods as adjustments become known.

Pharmacy Revenue

Pharmacy revenue is recognized as pharmaceuticals are dispensed. The Organization has a network of participating pharmacies that dispense the pharmaceuticals to its patients under contract arrangement with the Organization as well as six in-house pharmacies. The Organization participates in the 340B “Drug Discount Program” which enables qualifying health care providers to purchase drugs from pharmaceutical suppliers at a substantial discount. The 340B Drug Discount 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 pharmacy reimbursements and third-party payers.

Internal pharmacy gross receipts	$ 12,751,415
Internal pharmacy cost of goods sold	(10,093,530)
Internal pharmacy other operating expenses	(678,108)
Internal pharmacy net revenue	1,979,777
Contract pharmacy gross receipts	1,345,260
Contract pharmacy drug replenishment costs	(486,893)
Contract pharmacy administrative and filling fees	(236,010)
Contract pharmacy net revenue	622,357
Total pharmacy net revenue	$ 2,602,134

The 340B gross receipts are included in net patient service revenue on the consolidated statement of operations. The drug replenishment costs, administrative and filling fees and other operating expenses are included in operating expenses on the consolidated statement of operations. The net 340B pharmacy revenue from this program is used in furtherance of the Organization’s mission.

Government Grants

Support funded by grants is recognized as the Organization performs the contracted services or incurs outlays eligible for reimbursement under the grant agreements. Grant activities and outlays are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required.

Contributions

Gifts of cash and other assets received without donor stipulations are reported as revenue and net assets without donor restrictions. Gifts received with a donor stipulation that limits their use are reported as revenue and net assets with donor restrictions. When a donor-stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of operations as net assets released from restrictions. Gifts having donor stipulations which are satisfied in the period the gift is received are reported as revenue and net assets without donor restrictions.

Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Gifts of land, buildings, equipment and other long-lived assets are reported as revenue and net assets without donor restrictions unless explicit donor stipulations specify how such assets must be used, in which case the gifts are reported as revenue and net assets with donor restrictions. Absent explicit donor stipulations for the time long-lived assets must be held, expirations of restrictions resulting in reclassification of net assets with donor restrictions as net assets without donor restrictions are reported when the long-lived assets are placed in service.

Unconditional gifts expected to be collected within one year are reported at their net realizable value. Unconditional gifts expected to be collected in future years are initially reported at fair value determined using the discounted present value of estimated future cash flows technique. The resulting discount is amortized using the level-yield method and is reported as contribution revenue.

Conditional gifts depend on the occurrence of a specified future and uncertain event to bind the potential donor and are recognized as assets and revenue when the conditions are substantially met and the gift becomes unconditional. Donor-restricted conditional gifts in which the condition and restriction is met in the period the gift is received are reported as revenue and net assets without donor restrictions.

Income Taxes

The Health Center and THI have been recognized as exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law. However, the Health Center and THI are subject to federal income tax on any unrelated business taxable income.

THP is a corporation under the Internal Revenue Code and similar provision of state law. THP is in the process of applying for exempt status under Section 501(c)(2) as a title-holding corporation for an exempt organization. Given the nature of the corporation, they do not incur income taxes on an annual basis.

Excess of Revenues Over Expenses

The consolidated statement of operations includes excess of revenues over expenses. Changes in net assets without donor restrictions which are excluded from excess of revenues over expenses, consistent with industry practice, include contributions and grants of long-lived assets including assets acquired using contributions or grants which by donor or granting agency restriction were to be used for the purpose of acquiring such assets.

Note 2: Grant Revenue

The Health Center is the recipient of a Health Center Program (HCP) grant from the U.S. Department of Health and Human Services. The general purpose of the grants is to provide expanded primary health care service delivery for residents of Baltimore, Maryland, and the surrounding areas. Terms of the grant generally provide for funding of the Health Center's operations based on an approved budget. Grant revenue is recognized as qualifying expenditures are incurred over the grant period. During the year ended June 30, 2019, the Health Center recognized $6,317,825 in HCP grant revenue. Funding for the grant year ended December 31, 2019, is authorized at $7,471,354.

In addition to the above grant, the Organization receives additional financial support from other federal, state and private sources. Generally, such support requires compliance with terms and conditions specified in grant agreements and must be renewed on an annual basis.

Note 3: Net Patient Service Revenue

The Health Center recognizes patient service revenue associated with services provided to patients who have third-party payer coverage on the basis of contractual rates for the services rendered. For uninsured patients that do not qualify for the sliding fee program, the Health Center recognizes revenue on the basis of its standard rates for services provided. On the basis of historical experience, a significant portion of the Health Center's uninsured patients who do not qualify for the sliding fee program will be unable or unwilling to pay for the services provided. Thus, the Health Center records a significant provision for uncollectible accounts related to uninsured patients who do not qualify for the sliding fee program in the period the services are provided. This provision for uncollectible accounts is presented on the statement of operations as a component of net patient service revenue.

The Health Center is approved as a Federally Qualified Health Center (FQHC) for both Medicare and Medicaid reimbursement purposes. The Health Center has agreements with third-party payers that provide for payments to the Health Center at amounts different from its established rates. These payment arrangements include:

Medicare. Covered FQHC services rendered to Medicare program beneficiaries are paid based under a prospective payment system (PPS). Medicare payment, including patient coinsurance, is paid based on the lesser of the Organization's actual charge or the applicable PPS rate. Services not covered under the FQHC benefit are paid based on established fee schedules.

Medicaid. Covered FQHC services rendered to Medicaid program beneficiaries are paid on a prospective reimbursement methodology. The Health Center is reimbursed a set encounter rate for all services under the plan. Services not covered under the FQHC benefit are paid based on established fee schedules.

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation and change. As a result, it is reasonably possible that recorded estimates will change materially in the near term.

The Health Center has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations. The basis for payment to the Health Center under these agreements includes prospectively determined rates and discounts from established charges.

THI has entered into payment agreements with certain third-party and commercial insurance carriers that provide payments to THI based on established fee schedules. THI is primarily reimbursed a daily bed and meal rate for treatment of patients under a substance abuse treatment plan.

Patient service revenue, net of contractual allowances and discounts (but before the provision for uncollectible accounts), recognized in the year ended June 30, 2019 was approximately:

Medicaid	$ 37,390,404
Medicare	2,188,030
Self-pay	424,147
Other third-party payers	4,979,988
	$ 44,982,569

Note 4: Concentrations of Credit Risk

The Organization grants credit without collateral to its patients, most of whom are area residents and are insured under third-party payer agreements. The mix of net receivables from patients and third-party payers for patient services and pharmaceuticals at June 30, 2019, was:

Medicaid	82%
Medicare	10%
Self-pay	2%
Other third-party payers	6%
	100%

Note 5: Investments and Investment Return

Assets Limited as to Use

Assets limited to use, at June 30, include:

Internally designated for capital improvements	
Cash	$ 1,112,520
Mutual funds - equity	2,275,943
	3,388,463
Externally restricted by the State of Maryland	
Certificate of deposit	208,976
	$ 3,597,439

Short-Term Investments

Short-term investments, at June 30, include:

Money market funds	$ 1,190,463
Mutual funds - equity	7,811,892
Government securities	2,605
	$ 9,004,960

Total investment return is comprised of the following:

Interest and dividend income	$	690,250
Net realized and unrealized gain (loss) on investments		(205,894)
Investment and bank fees		(124,332)
	$	360,024

Note 6: Medical Malpractice Claims

The U.S. Department of Health and Human Services has deemed the Health Center and its participating physicians and other licensed or certified health care practitioners, covered 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. FTCA coverage is comparable to an occurrence policy without a monetary cap.

THI purchases medical malpractice insurance under a claims made policy on a fixed premium basis. Under such a policy, only claims made and reported to the insurer during the policy term, regardless of when the incidents giving rise to the claims occurred, are covered.

Claim liabilities are to be determined without consideration of insurance recoveries. Expected recoveries are presented separately. Based upon the Organization’s claim experience, an estimated reserve and matching insurance recovery for professional liability claims in the amount of $400,000 and $0 is recorded in accrued expenses and grants and other receivable, respectively, on the balance sheet at June 30, 2019 and 2018, respectively. Because of the risk in providing health care services, it is possible that other events have occurred which will be the basis of a future material claim.

Note 7: Unemployment Compensation Plan

The Organization has elected to maintain a self-funded unemployment compensation plan, whereby it will pay qualified claims directly in lieu of submitting quarterly unemployment taxes to the state of Maryland (the “State”). In order to be eligible, the State requires collateral to be held in the event that the Organization would fail to pay claims. Unemployment claims paid were $78,537 for the year ended June 30, 2019.

As of June 30, 2019, the State required collateral of $208,976. The Organization has an irrevocable standby letter of credit for the purpose of collateralizing the Organization for any unpaid unemployment claims under the Organization's self-funded unemployment compensation plan. This letter of credit was unused as of June 30, 2019, and is secured by a certificate of deposit, which is included in assets limited as to use on the Organization's consolidated balance sheet as of June 30, 2019.

Note 8: Debarred Employee Liability

In July 2013, the Organization learned that it employed an individual who was excluded from participation in a federal healthcare program, in violation of federal law, 42 U.S.C. §1320a-7(a)(6). The Organization terminated the individual's employment and voluntarily disclosed the violation to federal and state government authorities. The Organization reached a settlement agreement on this matter with the Office of Inspector General (OIG) of the United States Department of Health and Human Services during June 2019 for approximately $151,000, including restitution, which is included in accrued expenses at June 30, 2019. The settlement resulted in a change in estimate recorded during 2019 of approximately $269,000, which decreased supplies and other expenses for the year ending June 30, 2019.

Note 9: Line of Credit

The Health Center has a $1,000,000 revolving line of credit expiring in May 2020. At June 30, 2019, the Health Center did not have any borrowings against the line. The line is secured by certain assets of the Health Center. Interest payments are due monthly at a rate varying with the daily LIBOR rate plus 2.25 percent. The interest rate was 4.65 percent on June 30, 2019.

THI had a $500,000 revolving line of credit that matured on August 30, 2019. The line of credit consisted of a draw period and a repayment period. The seven-year draw period began on August 30, 2012, which interest only was due. At June 30, 2019, THI did not have any borrowings against the line. The line was collateralized by certain real property. The line of credit bared interest at a rate of Prime plus 1.25 percent, which was 6.75 percent on June 30, 2019, was payable monthly and was guaranteed by the Health Center.

Note 10: Net Assets with Donor Restrictions

Net Assets with Donor Restrictions

Net assets with donor restrictions are available for the following purpose or periods:

Subject to expenditure for specified purpose		
Tuerk House capital renovation projects	$	1,300,950
Health Center capital renovation projects		2,567,439
Employee relief campaign		11,898
Health care services		66,895
		3,947,182
Subject to the passage of time		
Contributed use of building		487,299
	$	4,434,481

Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of the passage of time or other events specified by donors.

Purpose restrictions accomplished		
Health care services	$	80,854
Expiration of time restrictions		
Contributed use of building		31,439
Total restrictions released	$	112,293

The Organization entered into a 20-year lease of a 16,437 square foot facility on January 1, 2015, with annual rent of $1 per year. The Organization recorded the estimated fair market value of the facility of approximately $629,000 as contributions to net assets with donor restrictions during 2015. The Organization recognized depreciation on the building in the amount of $31,439 for the year ended June 30, 2019. An equivalent amount is released from restrictions and reported in operating revenue. The contributed valuation of $487,299 is included in contributions receivable at June 30, 2019.

Note 11: Liquidity and Availability

The Organization's financial assets available within one year of the balance sheet date for general expenditures are:

Financial assets at year end	
Cash	$ 3,807,871
Short-term investments	9,004,960
Assets limited as to use	3,597,439
Patient accounts receivable, net	2,811,897
Grants and other receivables	3,094,378
Contributions receivable	4,422,583
Estimated amounts due from third-party payers	40,000
Total financial assets	26,779,128
Less amounts not available to be used within one year	
Assets limited as to use	208,976
Contribution receivable	3,023,299
Financial assets not available to be used within one year	3,232,275
Financial assets available to meet general expenditures within one year	$ 23,546,853

The Organization's has certain assets limited to use that are restricted by State of Maryland Department of Labor, Licensing and Regulation as collateral for self-insured unemployment claims. In addition, the Organization has certain board-designated assets that are designated for future capital expenditures. The board-designated amounts could be made available, if necessary.

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. To help manage unanticipated liquidity needs, the Health Center has a committed line of credit of $1,000,000 (see *Note 9*), which it could draw upon.

Total Health Care, Inc.
Notes to Consolidated Financial Statements
June 30, 2019

Note 12: Functional Expenses

The Organization provides health care services to residents within its service area. Certain costs attributable to more than one function have been allocated among the health care services and general and administrative functional expense classifications based on various methods. The following schedule presents the natural classification of expenses by function as follows:

	Health Care Services	General and Administrative	Fundraising	Total
Salaries and wages	$ 18,860,037	$ 5,964,315	$ 9,206	$ 24,833,558
Employee benefits	3,489,798	1,125,176	17,718	4,632,692
Purchased services and professional fees	2,057,839	4,409,162	11,303	6,478,304
Supplies and other	12,859,896	2,165,774	36,432	15,062,102
Rent	1,328,404	69,906	-	1,398,310
Depreciation	927,765	28,299	-	956,064
Interest expense	489	11,144	-	11,633
Pass-through to subrecipients	804,003	-	-	804,003
Total expenses	$ 40,328,231	$ 13,773,776	$ 74,659	$ 54,176,666

Note 13: Retirement Plan

The Health Center has a 403(b) defined contribution plan covering all of its eligible employees who are at least 21 years of age and have completed at least 1,000 hours of service as defined in the plan. Under the terms of the plan, the employees are eligible to receive matching contributions of 25 percent of their contributions up to a maximum of 6 percent of total compensation from the Organization. The Health Center made contributions totaling $101,603 for the year ended June 30, 2019.

THI has a 401(k) profit-sharing plan (the “Plan”) covering substantially all of its employees. Under the terms of the Plan, THI may make discretionary contributions to the Plan up to 4 percent of total compensation. THI did not make discretionary contributions to the Plan for the year ended June 30, 2019.

Retirement plan expense for the year ended June 30, 2019, was $101,603, and is included in employee benefits in the consolidated statement of operations.

Note 14: Operating Leases

Noncancellable operating leases for primary care outpatient offices expire in various years through 2029. These leases generally contain renewal options for periods ranging from 5 to 10 years and require the Organization to pay the majority of all executory costs (property taxes, maintenance and insurance).

Future minimum lease payments at June 30, 2019, were:

2020	$ 1,073,173
2021	1,040,020
2022	916,379
2023	885,978
2024	540,626
Thereafter	843,653
Future minimum lease payments	$ 5,299,829

Note 15: Disclosures About Fair Value of Assets and Liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets or liabilities.

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 Unobservable inputs that are supported by little or no market activity and are significant to the fair value of the assets or liabilities.

Recurring Measurements

The following table presents the fair value measurements of assets recognized in the accompanying consolidated balance sheet measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2019:

		Fair Value Measurements Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments - Mutual fund - equity	$ 2,275,943	$ 2,275,943	$ -	$ -
Money market funds	1,190,463	1,190,463	-	-
Mutual fund - equity	7,811,892	7,811,892	-	-
U.S. government obligations	2,605	-	2,605	-

Following is a description of the valuation methodologies and inputs used for assets measured at fair value on a recurring basis and recognized in the accompanying consolidated balance sheet, as well as the general classification of such assets pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended June 30, 2019.

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. The Organization has no securities classified as Level 3.

Note 16: Significant Estimates and Concentrations

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerability due to certain concentrations. Those matters include the following:

Grant Revenues

A concentration of revenues related to grant awards and other support is described in *Note 2*.

Allowance for Net Patient Service Revenue Adjustments

Estimates of allowances for adjustments included in net patient service revenue are described in *Notes 1* and *3*.

340B Drug Pricing Program

The Organization participates in the 340B Drug Pricing Program (340B Program) enabling the Organization to receive discounted prices from drug manufacturers on outpatient pharmaceutical purchases. This program is overseen by the Health Resources and Services Administration (HRSA) Office of Pharmacy Affairs (OPA). HRSA is currently conducting routine audits of these programs at health care organizations and increasing its compliance monitoring processes. Laws and regulations governing the 340B Program are complex and subject to interpretation and change. As a result, it is reasonably possible that material changes to the financial statement amounts related to the 340B Program could occur in the near term.

Medical Malpractice Claims

Estimates related to the accrual for medical malpractice claims are described in *Note 6*.

Estimated Liability for Employee Health Care

Estimates related to the accrual for self-insured claims are described in *Note 1*.

Litigation

In the normal course of business, the Organization is, from time to time, subject to allegations that may or do result in litigation. Some of these allegations are in areas not covered by commercial insurance; for example, allegations regarding employment practices, performance of contracts or medical malpractice claims not covered under FTCA. The Organization evaluates such allegations by conducting investigations to determine the validity of each potential claim. Based upon the advice of counsel, management records an estimate of the amount of ultimate expected loss, if any, for each of these matters. Events could occur that would cause the estimate of ultimate loss to differ materially in the near term.

Investments

The Organization invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the accompanying consolidated balance sheet.

Note 17: Construction in Progress

THI has multiple renovation and expansion projects in process at June 30, 2019. The projects are being completed in phases to limit the impact to operations, however, certain beds are not available during the renovations.

Phase 1 of its renovation project at its main campus at 730 N. Ashburton was completed in December 2019, at a total cost of approximately $2,700,000 of which approximately $1,200,000 was included in construction in progress at June 30, 2019. This project was funded by a capital award from the Maryland Department of Health and Mental Hygiene of approximately $1,200,000 and internally designated capital improvement funds.

Phase 2 of its renovation project at its main campus at 730 N. Ashburton began subsequent to year end and is expected to be completed in early 2021 at a total estimated cost of approximately $2,700,000. The project is being funded with internally designated capital improvement funds and operating cash flows.

Sister Augustine house renovations are complete with services expected to begin in the spring of 2020 after required permits and licensing are received. Total renovation cost were approximately $71,000, and are included in construction in progress at June 30, 2019. The project was funded with operating cash flows.

Note 18: Change in Accounting Principle

In 2019, the Organization adopted ASU 2016-14, *Not-For-Profit Entities (Topic 958): Presentation of Financial Statements of Not-For-Profit Entities*. A summary of the change is as follows:

Consolidated Balance Sheet

- The consolidated balance sheet distinguishes between two new classes of net assets—those with donor-imposed restrictions and those without. This is a change from the previously required three classes of net assets—unrestricted, temporarily restricted and permanently restricted.

Consolidated Statement of Operations

- Investment income is shown net of external and direct internal investment expenses. Disclosure of the expenses netted against investment income is no longer required.

Notes to the Consolidated Financial Statements

- Enhanced quantitative and qualitative disclosures provide additional information useful in assessing liquidity and cash flows available to meet operating expenses for one year from the date of the balance sheet.
- Expenses are reported by both nature and function in one location.

This change had no impact on previously reported total change in net assets.

Note 19: Adjustment Applicable to Prior Years

In 2018 and prior, patient accounts receivable relating to pharmacy was not reduced for cash received by the Organization and not posted to the subsidiary ledger at year end. The effect of this error correction decreased beginning net assets without donor restrictions by $1,837,575. This adjustment decreased the previously-reported 2018 change in net assets by $1,150,735.

Note 20: Future Change in Accounting Principle

Revenue Recognition

The Financial Accounting Standards Board amended its standards related to revenue recognition. This amendment replaces all existing revenue recognition guidance and provides a single, comprehensive revenue recognition model for all contracts with customers. The guidance provides a five-step analysis of transactions to determine when and how revenue is recognized. Other major provisions include capitalization of certain contract costs, consideration of the time value of money in the transaction price and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. The amendment also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in those judgments and assets recognized from costs incurred to fulfill a contract. The standard allows either full or modified retrospective adoption effective for annual periods beginning after July 1, 2019, for nonpublic entities, and any interim periods within annual reporting periods that begin after July 1, 2019, for nonpublic entities. The Organization is in the process of evaluating the impact the amendment will have on the financial statements.

Clarifying Accounting for Contributions

The FASB issued ASU 2018-08, *Not-For-Profit Entities* (Topic 958): *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* to clarify 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 recipient 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. If commensurate value is received by the resource provider, the transaction would be accounted for as an exchange transaction by applying Topic 606, *Revenue from Contracts with Customers,* or other topics. The standard clarifies that a resource provider is not synonymous with the general public. Indirect benefit received by the public as a result of the assets transferred is not equivalent to commensurate value received by the resource provider. If commensurate value is not received by the resource provider, *i.e.*, the transaction is nonexchange, the recipient organization would record the transaction as a contribution under Topic 958 and determine whether the contribution is conditional or unconditional. The standard should be applied on a modified prospective basis for the Organization's annual period beginning July 1, 2019, and any interim periods therein. Retrospective application is permitted. The Organization is in the process of evaluating the impact the amendment will have on the financial statements

Accounting for Leases

The Financial Accounting Standards Board amended its standard related to the accounting for leases. Under the new standard, lessees will now be required to recognize substantially all leases on the balance sheet as both a right-of-use asset and a liability. The standard has two types of leases for income statement recognition purposes: operating leases and finance leases. Operating leases will result in the recognition of a single lease expense on a straight-line basis over the lease term similar to the treatment for operating leases under existing standards. Finance leases will result in an accelerated expense similar to the accounting for capital leases under existing standards. The determination of lease classification as operating or finance will be done in a manner similar to existing standards. The new standard also contains amended guidance regarding the identification of embedded leases in service contracts and the identification of lease and nonlease components in an arrangement. The new standard is effective for annual periods beginning after December 15, 2019, and any interim periods within annual reporting periods that begin after December 15, 2020. A Board decision was reached by the FASB at its October 16, 2019, meeting to delay the effective date by one year which is expected to be finalized with the issuance of an ASU later in 2019. The Organization is evaluating the impact the standard will have on the financial statements; however, the standard is expected to have a material impact on the financial statements due to the recognition of additional assets and liabilities for operating leases.

Note 21: Subsequent Events

In late 2019, a novel strain of coronavirus (COVID-19) was reported to have surfaced in China. Subsequent to year end, the spread of COVID-19 began to cause some business disruption through reduced patient revenue, specifically an increased no-show rate as well as reduction in services at certain locations. Additionally, there has been significant volatility in the investment markets both nationally and globally since December 31, 2019, resulting in an overall market decline in certain market segments which has resulted in a substantial decline in the value of our investment portfolio.

While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration. The Organization expects this matter to negatively impact its financial condition and operating results. However, the related financial impact and duration cannot be reasonably estimated at this time.

Subsequent events have been evaluated through March 27, 2020, which is the date the consolidated financial statements were available to be issued.

Other Information

Total Health Care, Inc.
Consolidating Schedule – Balance Sheet Information
June 30, 2019

Assets

	Total Health Care, Inc.	Tuerk House, Inc.	Tuerk House Properties, Inc.	Eliminations	Total
Current Assets					
Cash	$ 946,374	$ 2,858,995	$ 2,502	$ -	$ 3,807,871
Short-term investments	9,004,960	-	-	-	9,004,960
Assets limited as to use - current	-	697,960	-	-	697,960
Patient accounts receivable, net of allowance - $753,941	2,365,321	446,576	-	-	2,811,897
Grants and other receivables	2,170,412	923,966	-	-	3,094,378
Contributions receivable - current	31,439	1,367,845	-	-	1,399,284
Estimated amounts due from third-party payers	40,000	-	-	-	40,000
Due from related party	65,306	653,875	59,510	(778,691)	-
Supplies	313,211	-	-	-	313,211
Prepaid expenses and other	137,882	100,072	-	-	237,954
Total current assets	15,074,905	7,049,289	62,012	(778,691)	21,407,515
Assets Limited As To Use					
Internally designated	2,275,943	1,112,520	-	-	3,388,463
Externally restricted by donors	208,976	-	-	-	208,976
	2,484,919	1,112,520	-	-	3,597,439
Less amount required to meet current obligations	-	697,960	-	-	697,960
	2,484,919	414,560	-	-	2,899,479
Investment in Tuerk House	3,376,327	-	-	(3,376,327)	-
Property and Equipment, At Cost					
Land	782,000	349,772	18,500	-	1,150,272
Buildings and leasehold improvements	15,606,368	2,383,146	1,890,598	-	19,880,112
Equipment	6,355,266	383,339	-	-	6,738,605
Furniture and fixtures	516,288	74,980	-	-	591,268
Construction in progress	27,395	1,296,424	-	-	1,323,819
	23,287,317	4,487,661	1,909,098	-	29,684,076
Less accumulated depreciation	19,818,790	466,642	446,501	-	20,731,933
	3,468,527	4,021,019	1,462,597	-	8,952,143
Other Assets					
Contributions receivable	3,023,299	-	-	-	3,023,299
Deposits and other assets	38,018	10,370	-	-	48,388
	3,061,317	10,370	-	-	3,071,687
Total assets	$ 27,465,995	$ 11,495,238	$ 1,524,609	$ (4,155,018)	$ 36,330,824

Liabilities and Net Assets

	Total Health Care, Inc.	Tuerk House, Inc.	Tuerk House Properties, Inc.	Eliminations	Total
Current Liabilities					
Accounts payable	$ 1,881,934	$ 240,602	$ -	$ -	$ 2,122,536
Accrued expenses	1,330,517	1,544,615	-	9,060	2,884,192
Due to related party	924	132,951	-	(133,875)	-
Total current liabilities	3,213,375	1,918,168	-	(124,815)	5,006,728
Accrued Rent Payable	261,587	-	-	-	261,587
Long-Term Debt	-	-	653,876	(653,876)	-
Total liabilities	3,474,962	1,918,168	653,876	(778,691)	5,268,315
Net Assets					
Without donor restrictions	20,924,397	8,209,225	870,733	(3,376,327)	26,628,028
With donor restrictions	3,066,636	1,367,845	-	-	4,434,481
Total net assets	23,991,033	9,577,070	870,733	(3,376,327)	31,062,509
Total liabilities and net assets	$ 27,465,995	$ 11,495,238	$ 1,524,609	$ (4,155,018)	$ 36,330,824

Total Health Care, Inc.

Consolidating Schedule – Statement of Operations Information

Year Ended June 30, 2019

	Total Health Care, Inc.	Tuerk House, Inc.	Tuerk House Properties, Inc.	Eliminations	Total
Revenues, Gains and Other Support Without Donor Restrictions					
Patient service revenue (net of contractual discounts and allowances)	$ 35,977,749	$ 9,004,820	$ -	$ -	$ 44,982,569
Provision for uncollectible accounts	(398,053)	(229,494)	-	-	(627,547)
Net patient service revenue less provision for uncollectible accounts	35,579,696	8,775,326	-	-	44,355,022
Grant revenue	9,058,061	3,290,386	-	-	12,348,447
Contribution revenue	58,444	29,759	-		88,203
Other revenue	234,665	17,374	-	-	252,039
Net assets released from restrictions used for operations	45,399	66,894	-	-	112,293
Total revenues, gains and other support without donor restrictions	44,976,265	12,179,739	-	-	57,156,004
Expenses and Losses					
Salaries and wages	19,276,885	5,556,673	-	-	24,833,558
Employee benefits	3,647,438	985,254	-	-	4,632,692
Purchased services and professional fees	5,970,078	508,226	-	-	6,478,304
Supplies and other	13,519,791	1,542,311	-	-	15,062,102
Rent	1,386,588	11,722	-	-	1,398,310
Depreciation	673,075	155,419	127,570	-	956,064
Interest	11,089	544	-	-	11,633
Pass-through expenses to subrecipients	804,003	-	-	-	804,003
Total expenses and losses	45,288,947	8,760,149	127,570	-	54,176,666
Operating Income (Loss)	(312,682)	3,419,590	(127,570)	-	2,979,338
Other Income					
Investment return	359,934	90	-	-	360,024
Excess (Deficiency) of Revenues Over Expenses and Increase (Decrease) in Net Assets Without Donor Restrictions	$ 47,252	$ 3,419,680	$ (127,570)	$ -	$ 3,339,362

Supplementary Information

Total Health Care, Inc.
Schedule of Expenditures of Federal Awards
Year Ended June 30, 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.S. Department of Health and Human Services/ Health Center Program Cluster	93.224	N/A	$ -	$ 1,554,611
U.S. Department of Health and Human Services/ Affordable Care Act (ACA) Grants for New and Expanded Services under the Health Center Program/Health Center Program Cluster	93.527	N/A	903,338	4,862,548
Total Health Center Program Cluster			903,338	6,417,159
		19-2463-009	-	20,757
		19-2463-01E	-	33,298
		19-2463-018	-	35,764
		19-2463-002	-	126,998
		19-2463-NO1	-	22,056
		19-2463-MH1	-	22,036
		19-2463-006	-	27,868
		19-2463-01A	-	10,651
		19-2463-HR1	-	17,379
		18-2463-009	-	55,572
		18-2463-01E	-	60,204
		18-2463-018	-	67,853
		18-2463-002	-	263,822
		18-2463-NO1	-	16,145
U.S. Department of Health and Human Services/		18-2463-MH1	-	54,237
City of Baltimore Health Department/		18-2463-006	-	81,329
Associated Black Charities, Inc./HIV		18-2463-01A	-	4,921
Emergency Relief Project Grants	93.914	18-2463-HR1	-	21,822
			-	942,712
U.S. Department of Health and Human Services/ Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	93.918	N/A	-	562,141
Total forward			903,338	7,922,012

Total Health Care, Inc.
Schedule of Expenditures of Federal Awards
Year Ended June 30, 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
Total forward			$ 903,338	$ 7,922,012
U.S. Department of Health and Human Services/ City of Baltimore Health Department/ HIV Care Formula Grants	93.917	38784	-	122,681
U.S. Department of Health and Human Services/ City of Baltimore Health Department/HIV Prevention Activities Health Department Based	93.940	38769	-	50,383
U.S. Department of Health and Human Services/ John Hopkins University/Cardiovascular Diseases Research/Research and Development Cluster	93.837	5UH3HL130688-04	-	95,765
Total federal expenditures			$ 903,338	$ 8,190,841

Total Health Care, Inc.
Notes to the Schedule of Expenditures of Federal Awards
Year Ended June 30, 2019

Notes to Schedule

1. The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Total Health Care, Inc., under programs of the federal government for the year ended June 30, 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 Total Health Care, Inc., it is not intended to and does not present the financial position, results of operations, changes in net assets, or cash flows of Total Health Care, Inc.

2. 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. Total Health Care, Inc. has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

3. Total Health Care, Inc. did not have any federal loan programs during the year ended June 30, 2019.

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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*

Independent Auditor's Report

Board of Directors
Total Health Care, Inc.
Baltimore, Maryland

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 consolidated financial statements of Total Health Care, Inc., which comprise the consolidated balance sheet as of June 30, 2019, and the related consolidated statements of operations, changes in net assets and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated March 27, 2020, which contained an "Emphasis of Matters" paragraph regarding a change in accounting principle and restatement of beginning net assets.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Total Health Care, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Total Health Care, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Total Health Care, 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, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2019-001 that we consider to be a material weakness.

Board of Directors
Total Health Care, Inc.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Total Health Care, Inc.'s consolidated 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*.

Total Health Care, Inc.'s Response to Finding

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

Purpose of this Report

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

BKD, LLP

Springfield, Missouri
March 27, 2020

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Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance

Independent Auditor's Report

Board of Directors
Total Health Care, Inc.
Baltimore, Maryland

Report on Compliance for Each Major Federal Program

We have audited Total Health Care, Inc.'s (the "Organization") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Total Health Care, Inc.'s major federal programs for the year ended June 30, 2019. Total Health Care, 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 Total Health Care, 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 Total Health Care, 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 qualified and unmodified opinions on compliance for each major federal program. However, our audit does not provide a legal determination of Total Health Care, Inc.'s compliance.

Basis for Qualified Opinion on HIV Emergency Relief Project Grants and Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease

As described in the accompanying schedule of findings and questioned costs, Total Health Care, Inc. did not comply with requirements regarding CFDA 93.914 HIV Emergency Relief Project Grants and CFDA 93.918 Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease as described in findings numbers 2019-002 for Activities Allowed and Unallowed and Cost Principles and 2019-003 for Program Income and Reporting. Compliance with such requirements is necessary, in our opinion, for Total Health Care, Inc. to comply with the requirements applicable to these programs.

Qualified Opinion on HIV Emergency Relief Project Grants and Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Total Health Care, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on HIV Emergency Relief Project Grants and Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease for the year ended June 30, 2019.

Unmodified Opinion on Health Center Program Cluster

In our opinion, Total Health Care, Inc. complied in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Health Center Program Cluster identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2019.

Other Matters

The results of our auditing procedures disclosed other 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 items 2019-004 and 2019-005. Our opinion on each major federal program is not modified with respect to these matters.

Total Health Care, Inc.'s responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Total Health Care, Inc.'s responses were not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on the responses.

Report on Internal Control Over Compliance

Management of Total Health Care, 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 Total Health Care, 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

Board of Directors
Total Health Care, Inc.

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 Total Health Care, Inc.'s internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2019-002 and 2019-003 to be material weaknesses.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2019-004 and 2019-005 to be significant deficiencies.

Total Health Care, Inc.'s responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Total Health Care, Inc.'s responses were not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on the responses.

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.

BKD, LLP

Springfield, Missouri
March 27, 2020

Total Health Care, Inc.
Schedule of Findings and Questioned Costs
Year Ended June 30, 2019

Summary of Auditor's Results

Financial Statements

1. The type of report the auditor issued on whether the financial statements audited were prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) was:

   ☒ Unmodified ☐ Qualified ☐ Adverse ☐ Disclaimer

2. The independent auditor's report on internal control over financial reporting disclosed:

Significant deficiency(ies)?	☐ Yes	☒ None reported
Material weakness(es)?	☒ Yes	☐ No

3. Noncompliance considered material to the financial statements was disclosed by the audit? ☐ Yes ☒ No

Federal Awards

4. The independent auditor's report on internal control over compliance for major federal awards programs disclosed:

Significant deficiency(ies)?	☒ Yes	☐ None reported
Material weakness(es)?	☒ Yes	☐ No

5. The opinions expressed in the independent auditor's report on compliance for the major federal awards were:

   ☒ Unmodified ☒ Qualified ☐ Adverse ☐ Disclaimer

Consolidated Health Center Program	Unmodified
HIV Emergency Relief Project Grants	Qualified
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	Qualified

Total Health Care, Inc.

Schedule of Findings and Questioned Costs

Year Ended June 30, 2019

6. The audit disclosed findings required to be reported by 2 CFR 200.516(a)? ☒ Yes ☐ No

7. The Organization's major programs were:

Cluster/Program	CFDA Number
Consolidated Health Center Program	93.224 and 93.527
HIV Emergency Relief Project Grants	93.914
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	93.918

8. The threshold used to distinguish between Type A and Type B programs was $750,000.

9. The Organization qualified as a low-risk auditee? ☐ Yes ☒ No

Total Health Care, Inc.
Schedule of Findings and Questioned Costs
Year Ended June 30, 2019

Findings Required to be Reported by *Government Auditing Standards*

Reference Number	Finding
2019-001	Criteria or Specific Requirement – Management is responsible for establishing and maintaining effective internal control over financial reporting.

Condition – The Organization's financial statements required adjustments to be in conformity with accounting principles generally accepted in the United States of America (GAAP), including an adjustment applicable to prior years. Areas in which adjustments were proposed and recorded include:

- Patient accounts receivable
- Supplies
- Property and equipment
- Prepaid expenses and other
- Accounts payable, accrued expenses and accrued rent payable
- Net patient services revenue
- Other revenue
- Purchased services and professional fees, supplies and other, employee benefits and depreciation

Effect – Adjusting journal entries were proposed as part of the financial statement audit.

Cause – The Organization's policies and procedures in effect at June 30, 2019, did not identify certain necessary adjustments required to present the financial statements in accordance with GAAP. The Organization lacked adequate preparation and/or review of certain balance sheet account reconciliations. In addition, journal entries with appropriate supporting documentation were not being adequately reviewed.

Recommendation – Management should modify monthly and year-end closing procedures to ensure controls in place are sufficient to assure accounts and financial statements are prepared in accordance with GAAP.

Total Health Care, Inc.
Schedule of Findings and Questioned Costs
Year Ended June 30, 2019

Findings Required to be Reported by *Government Auditing Standards*

Reference Number	Finding
2019-001 (Continued)	Views of Responsible Officials and Planned Corrective Actions – The Organization will modify its monthly and year end closing procedures to assure accounts and financial statements are in conformity with GAAP. Specifically, since July 2019 we have been reconciling pharmacy accounts receivable daily by comparing what we record as charges and the cash deposits per bank with charges and deposits posted to pharmacy accounts receivable by our third-party contractor.

Total Health Care, Inc.

Schedule of Findings and Questioned Costs

Year Ended June 30, 2019

Findings Required to be Reported by the Uniform Guidance

Reference Number	Finding
2019-002	HIV Emergency Relief Project Grants CFDA No. 93.914 U.S. Department of Health and Human Services Award No. 5 H76HA00609-20-00

Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease
CFDA No. 93.918
U.S. Department of Health and Human Services
Award No. H89HA00017-28-00

Criteria or Specific Requirement – Activities Allowed and Unallowed and Cost Principles – 45 CFR 75.405

Condition – A sample of 25 expenditures were selected from each of the following populations:
CFDA No. 93.914- 2,363 items totaling $942,712
CFDA No. 93.918- 555 items totaling $562,141

The samples were not, and are not intended to be, statistically valid. Of the 25 expenditures tested from each grant program, the following were determined to lack appropriate supporting documentation to support being charged to grant program:
CFDA No. 93.914- 14 items totaling $13,533
CFDA No. 93.918- 19 items totaling $33,033

The Organization did not have adequate supporting documentation demonstrating salaries percentages charged to the grant programs were consistent with actual time and effort.

Questioned cost –
CFDA No. 93.914- $13,533
CFDA No. 93.918- $33,033

Context –The Organization did not have a reasonable methodology of allocating personnel costs to these grant programs. In addition, employee time cards were not reviewed and approved on a consistent basis.

Effect – Personnel costs charged to the grant programs could have varied from actual time and effort.

Findings Required to be Reported by the Uniform Guidance

Reference Number	Finding
2019-002 (Continued)	Cause – The Organization charged budgeted salary percentages to the grant programs without a system in place to monitor and track that actual time and effort was consistent with budgeted percentages. Identification as a repeat finding, if applicable – Not applicable. Recommendation – Management should implement policies and procedures that strengthen internal control over compliance in relation to activities allowed and cost principles. The policy and procedure should be designed to ensure that a reasonable allocation methodology is implemented and followed or that time and effort is certified by the employee on a regular basis. Views of Responsible Officials and Planned Corrective Actions – The Organization has already identified project codes for staff to properly charge grants on which they work. In addition, the Organization has already developed attestation forms for employees who worked on grants in periods prior to the current year and for the current year prior to the use of the new project codes.

Total Health Care, Inc.

Schedule of Findings and Questioned Costs

Year Ended June 30, 2019

Findings Required to be Reported by the Uniform Guidance

Reference Number	Finding
2019-003	HIV Emergency Relief Project Grants CFDA No. 93.914 U.S. Department of Health and Human Services Award No. 5 H76HA00609-20-00

Criteria or Specific Requirement – Program Income – 45 CFR 75.307

Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease
CFDA No. 93.918
U.S. Department of Health and Human Services
Award No. H89HA00017-28-00

Criteria or Specific Requirement – Program Income and Reporting – 45 CFR 75.307 and 45 CFR 75.342

Condition – The Organization did not properly track or report program income for these programs.

Questioned cost – Unknown

Context – The Organization did not have a system in place to monitor and track program income generated from these programs during the fiscal year. In addition, program income earned and expended or unexpended was not properly reported on the Organization's annual federal financial report (FFR) for CFDA No. 93.918.

Effect – Program income could have been earned in excess of qualifying expenditures. In addition, program income was not reported accurately on the annual FFR for CFDA No. 93.918.

Cause – The Organization did not have a system in place to monitor, track, and report program income generated from these programs. In addition, the Organization did not have a system in place or methodology to monitor and track patient caps on charges.

Identification as a repeat finding, if applicable – Not applicable.

Findings Required to be Reported by the Uniform Guidance

Reference Number	Finding
2019-003 (Continued)	Recommendation – Management should implement policies and procedures that strengthen internal control over compliance in relation to program income. The policy and procedure should be designed to ensure regular monitoring, tracking and reporting in accordance with compliance requirements. Furthermore, all grant reporting should be reviewed for accuracy and appropriateness before submission. Views of Responsible Officials and Planned Corrective Actions – The Organization has already developed a system to determine, track and monitor program income. The system will be able to monitor and track patient caps and charges for the current year. In addition, the revenue cycle and clinical operations team have already developed a work flow and system to calculate and track program income. Specifically, the Organization will identify program income for federal grants as follows: use charge and payment reports from its Electronic Medical Records systems for all service lines to determine the program income generated by each provider and track from the internal pharmacy system the income generated from prescription revenue and allocate such amounts to various grant programs.

Total Health Care, Inc.
Schedule of Findings and Questioned Costs
Year Ended June 30, 2019

Findings Required to be Reported by the Uniform Guidance

Reference Number	Finding
2019-004	Health Center Program Cluster CFDA Nos. 93.527 and 93.224 U.S. Department of Health and Human Services Award No. 2 H80CS00068-18-00 Program Year 2019

Criteria of Specific Requirement – Special Tests and Provisions: Sliding Fee Discounts (42 USC 254(k)(3)(g); 42 CFR section 51c.303(g) and 42 CFR section 56.303(f)).

Condition – Patients who were eligible for sliding fee discounts under the Organization's policy were given incorrect sliding fee discounts.

Questioned cost – None

Context – A sample of 25 patient encounters were tested out of a population of 132,134 patient encounters. The sample was not, and is not intended to be, statistically valid. Of the 25 patient encounters tested, 4 were determined to have resulted in an improper sliding fee adjustment based on the Organization's policy and screening of patient eligibility.

Effect – Eligible patients were not given the proper sliding fee discounts.

Cause – The Organization did not comply with their sliding fee policy.

Identification as a repeat finding, if applicable – Not applicable.

Recommendation – Management should review the sliding fee discount policy and procedures to ensure proper staff education on this program. Procedures should be implemented to ensure that eligible patients receive discounts in accordance with the sliding fee scale. In addition, regular internal audits of sliding fee activity should be initiated.

Total Health Care, Inc.

Schedule of Findings and Questioned Costs

Year Ended June 30, 2019

Findings Required to be Reported by the Uniform Guidance

Reference Number	Finding
2019-004 (Continued)	Views of Responsible Officials and Planned Corrective Actions – The sliding fee policy is applied consistently. The sliding fee policy and its application are reviewed by patient access and revenue cycle staff regularly. Additionally, a member of the revenue cycle team regularly educates staff on how to administer the sliding fee. With regard to compliance in applying the Organization's Sliding Fee: 1) A daily audit report is generated for all Sliding Fee patients checked in the day before; 2) The report is sent to all Patient Access Supervisors via e-mail; 3) The e-mail contains the full report, along with a summary highlighting potential errors or omissions; and 4) Supervisors review the report(s) and then follow up with front desk staff for an explanation or correction.

Total Health Care, Inc.

Schedule of Findings and Questioned Costs

Year Ended June 30, 2019

Findings Required to be Reported by the Uniform Guidance

Reference Number	Finding
2019-005	Health Center Program Cluster CFDA Nos. 93.527 and 93.224 U.S. Department of Health and Human Services Award No. 2 H80CS00068-18-00 Program Year 2019

Criteria of Specific Requirement – Procurement – 45 CFR 75.329

Condition – The Organization did not follow its policy governing procurement requirements for the purchase of goods or services charged to federal awards.

Questioned cost – None

Context – A sample of three procurements were tested out of a population of twenty-six procurements totaling $1,019,555. The sample was not, and is not intended to be, statistically valid. Of the three procurements, one procurement in the amount of $21,953 did not follow the Organization's procurement policy for vendor selection.

Effect – Purchases were made that did not adhere to the Organization's procurement policy.

Cause – The Organization did not comply with their federal procurement policy.

Identification as a repeat finding, if applicable – Not applicable.

Recommendation – The Organization should review its procurement policy and ensure proper staff education on the policy is established. In addition, the Organization should review the policy on an annual basis to ensure it is consistent with Uniform Guidance.

Views of Responsible Officials and Planned Corrective Actions – Proper staff education of the procurement policy occurs periodically. The Organization will review its procurement policy annually to ensure it is consistent with Uniform Guidance. Also, staff in the finance department regularly reviews, updates and make changes to all policies including our procurement policy.

Total Health Care, Inc.

Summary Schedule of Prior Audit Findings

Year Ended June 30, 2019

Reference Number	Summary of Finding	Status

No matters are reportable.

Total Health Care You're Covered.

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Kirk Health Center
2400 Kirk Avenue
Baltimore, MD 21218

Men's Health Center
Baltimore City
Health Department
1515 W. North Avenue
Baltimore, MD 21217

Mondawmin Mall
Health Center
2401 Liberty Heights Avenue
Baltimore, MD 21215

Mt. Royal Health Center
922 W. North Avenue
Baltimore, MD 21217

Open Gates Health Center
1111 Washington Boulevard
Baltimore, MD 21230

Saratoga Health Center
1501 W. Saratoga Street
Baltimore, MD 21223

Westside Health Center
2449 W. Frederick Avenue
Baltimore, MD 21223

Odenton Health Center
1215 Annapolis Road, Suite 203
Odenton, MD 21113

Finding # 2019-001:

Views of Responsible Official and Planned Corrective Actions:
The Organization will modify its monthly and year end closing procedures to assure accounts and financial statements are in conformity with GAAP. Specifically, since July 2019 we have been reconciling pharmacy accounts receivable daily by comparing what we record as charges and the cash deposits per bank with charges and deposits posted to pharmacy accounts receivable by our third-party contractor.

Name(s) of the contact person(s) responsible for corrective action: Richard Greene
Anticipated completion date: Completed.

Finding #2019-002:

Views of Responsible Official and Planned Corrective Actions:
The Organization has already identified project codes for staff to properly charge grants on which they work. In addition, the Organization has already developed attestation forms for employees who worked on grants in periods prior to the current year and for the current year prior to the use of the new project codes.

Name(s) of the contact person(s) responsible for corrective action: Richard Greene
Anticipated completion date: March 31, 2020

Finding # 2019-003:

Views of Responsible Official and Planned Corrective Actions:
The Organization has already developed a system to determine, track and monitor program income. The system will be able to monitor and track patient caps and charges for the current year. In addition, the revenue cycle and clinical operations team have already developed a work flow and system to calculate and track program income. Specifically, the Organization will identify program income for federal grants as follows: use charge and payment reports from its Electronic Medical Records systems for all service lines to determine the program income generated by each provider and track from the internal pharmacy system the income generated from prescription revenue and allocate such amounts to various grant programs.

Name(s) of the contact person(s) responsible for corrective action: Richard Greene
Anticipated completion date: Completed.

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Odenton, MD 21113

Finding #2019-004:

Views of Responsible Official and Planned Corrective Actions:
The sliding fee policy is applied consistently. The sliding fee policy and its application are reviewed by patient access and revenue cycle staff regularly. Additionally, a member of the revenue cycle team regularly educates staff on how to administer the sliding fee. With regard to compliance in applying the Organization's Sliding Fee: 1) A daily audit report is generated for all Sliding Fee patients checked in the day before; 2) The report is sent to all Patient Access Supervisors via e-mail; 3) The e-mail contains the full report, along with a summary highlighting potential errors or omissions; and 4) Supervisors review the report(s) and then follow up with front desk staff for an explanation or correction.

Name(s) of the contact person(s) responsible for corrective action: Richard Greene
Anticipated completion date: Ongoing.

Finding #2019-005:

Views of Responsible Official and Planned Corrective Actions:
Proper staff education of the procurement policy occurs periodically. The Organization will review its procurement policy annually to ensure it is consistent with Uniform Guidance. Also, staff in the finance department regularly reviews, updates and make changes to all policies including our procurement policy.

Name(s) of the contact person(s) responsible for corrective action: Richard Greene
Anticipated completion date: Ongoing