

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

**Financial Statements,
Schedule of Expenditures of Federal and
State Awards, Internal Control and Compliance
(With Supplementary Information)
and Independent Auditor's Reports**

March 31, 2019

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

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of Tri-County Community Health Council, Inc. (d/b/a CommWell Health) (the "Center"), which comprise the statement of financial position as of March 31, 2019, and the related statements of activities and change in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Center as of March 31, 2019, and the change in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 4, 2019, on our consideration of the Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 the Center'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 the Center's internal control over financial reporting and compliance.

CohnReznick LLP

New York, New York
November 4, 2019

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

Statement of Financial Position
March 31, 2019

Assets

Current assets	
Cash and cash equivalents	\$ 4,784,354
Patient services receivable, net	1,943,113
340B pharmacy receivable	110,152
DHHS grants receivable	278,201
Contract services receivable	156,050
Other assets	454,160
	<hr/>
Total current assets	7,726,030
Certificates of deposit, at cost	65,571
Goodwill and other intangible assets	141,774
Property and equipment, net	7,545,471
	<hr/>
Total	<u>\$ 15,478,846</u>

Liabilities and Net Assets Without Donor Restrictions

Current liabilities	
Accounts payable and accrued expenses	\$ 1,058,040
Accrued compensation	1,267,836
Current maturities of long-term debt	29,247
	<hr/>
Total current liabilities	2,355,123
Long-term debt, less current portion	537,837
	<hr/>
Total liabilities	2,892,960
Commitments and contingencies	
Net assets without donor restrictions	12,585,886
	<hr/>
Total	<u>\$ 15,478,846</u>

See Notes to Financial Statements.

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

Statement of Activities and Change in Net Assets
Year Ended March 31, 2019

Revenue without donor restrictions	
Patient services (net of contractual allowances and discounts)	\$ 11,129,191
Provision for bad debts	<u>(2,518,330)</u>
Net patient services less provision for bad debts	8,610,861
DHHS grants	12,047,759
Contract services and other grants	1,098,384
Pharmacy 340B program revenue	1,602,213
In-kind contributions	139,821
Other	<u>350,285</u>
Total revenue	<u>23,849,323</u>
Expenses	
Salaries and benefits	16,324,004
Other than personnel services	6,517,135
Interest expense	<u>30,028</u>
Total expenses	<u>22,871,167</u>
Operating income prior to depreciation and amortization and nonoperating revenue	978,156
Depreciation and amortization	<u>578,224</u>
Operating income prior to nonoperating revenue	399,932
Nonoperating revenue - DHHS grant for capital expenditures	<u>849,372</u>
Change in net assets	1,249,304
Net assets, beginning	<u>11,336,582</u>
Net assets, end	<u><u>\$ 12,585,886</u></u>

See Notes to Financial Statements.

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

Statement of Functional Expenses
Year Ended March 31, 2019

	Program services	General and administrative	Total
Salaries and wages	\$ 10,679,198	\$ 3,372,378	\$ 14,051,576
Fringe benefits	1,727,045	545,383	2,272,428
Consultants and contractual services	1,960,619	619,143	2,579,762
Insurance	94,320	28,174	122,494
Professional fees	-	196,697	196,697
Consumable supplies	682,705	215,591	898,296
Pharmaceuticals	552,918	-	552,918
Occupancy	432,547	129,202	561,749
Repairs and maintenance	127,976	38,227	166,203
Equipment and equipment rental	180,085	53,791	233,876
Printing and publications	27,024	8,534	35,558
Dues and subscriptions	65,172	20,580	85,752
Travel, conferences and meetings	162,704	51,380	214,084
Continuing education	39,689	12,533	52,222
Recruitment and retention	46,590	14,713	61,303
Health promotion	69,771	22,033	91,804
Telephone	299,425	94,555	393,980
Interest expense	23,122	6,906	30,028
Other	205,532	64,905	270,437
Subtotal	17,376,442	5,494,725	22,871,167
Depreciation and amortization	445,232	132,992	578,224
Total	<u>\$ 17,821,674</u>	<u>\$ 5,627,717</u>	<u>\$ 23,449,391</u>

See Notes to Financial Statements.

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

Statement of Cash Flows
Year Ended March 31, 2019

Cash flows from operating activities	
Cash received from DHHS grants	\$ 12,362,076
Cash received from patient services	7,197,993
Cash received from pharmacy 340B program revenue	1,650,302
Cash received from contract services and other grants	1,154,352
Cash paid to other	158,943
Cash paid for personnel services	(16,121,246)
Cash paid for other than personnel services	(5,964,354)
Cash paid for interest	<u>(30,028)</u>
Net cash provided by operating activities	<u>408,038</u>
Cash flows from investing activities	
Purchases of property and equipment	(1,189,960)
Redemption of certificate of deposit	<u>1,534,856</u>
Net cash provided by investing activities	<u>344,896</u>
Cash flows from financing activities	
Cash received from nonoperating DHHS grant	849,372
Principal payments on long-term debt	<u>(27,595)</u>
Net cash provided by financing activities	<u>821,777</u>
Net increase in cash and cash equivalents	1,574,711
Cash and cash equivalents, beginning	<u>3,209,643</u>
Cash and cash equivalents, end	<u><u>\$ 4,784,354</u></u>
Reconciliation of change in net assets to net cash provided by operating activities	
Change in net assets	\$ 1,249,304
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation and amortization	578,224
Provision for bad debts	2,518,330
Nonoperating DHHS grant	(849,372)
Changes in operating assets and liabilities	
Patient services receivable	(3,931,198)
340B pharmacy receivable	48,089
DHHS grants receivable	314,317
Contract services receivable	55,968
Other assets	(191,342)
Accounts payable and accrued expenses	412,960
Accrued compensation	<u>202,758</u>
Net cash provided by operating activities	<u><u>\$ 408,038</u></u>
Supplemental disclosure of noncash investing activities	
Capital acquisitions included in accounts payable and accrued expenses	<u><u>\$ 180,695</u></u>

See Notes to Financial Statements.

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

Notes to Financial Statements
March 31, 2019

Note 1 - Organization

Tri County Community Health Council, Inc. (d/b/a CommWell Health) (the "Center") operates health centers in Sampson, Johnston, Wayne, Brunswick, Pender and Bladen Counties, North Carolina. The Center provides a broad range of health and human services to a largely medically underserved population in the North Carolina townships of Newton Grove, Salemburg, Dublin, Penderlea, Four Oaks, Ocean Isle Beach, Tar Heel, Harrells, Goldsboro, Smithfield, McGee's Crossroads, Clinton and Bolivia.

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

Note 2 - Summary of significant accounting policies

Basis of presentation

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

Use of estimates

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

Classification of net assets

The Center classifies its net assets into two categories, which are described as follows:

Net assets without donor restrictions are net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Center. Net assets without donor restrictions include resources that the governing board may use for any designated purpose and resources whose use is limited by agreement between the Center and an outside party other than a donor or a grantor.

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

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

Cash and cash equivalents

The Center maintains its cash in bank deposit accounts, which, at times, may exceed federally insured limits. The Center has not experienced any losses in such accounts. The Center's bank deposits exceeded Federal Deposit Insurance Corporation limits at various times during the year ended March 31, 2019.

Tri-County Community Health Council, Inc.
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Notes to Financial Statements
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Patient services and pharmacy 340B program receivables and concentrations of credit risk

The collection of receivables from third-party payors and patients is the Center's primary source of cash for operations and is critical to its operating performance. The primary collection risks relate to uninsured patient accounts and patient accounts for which the primary insurance payor has paid, but patient responsibility amounts (deductibles and copayments) remain outstanding. Patient receivables from third-party payors are carried at a net amount determined by the original charge for the service provided, less an estimate made for contractual adjustments or discounts provided to third-party payors.

Pharmacy 340B program receivables are carried at a net amount determined by the original charge for the prescription, less an estimate made for contractual adjustments or discounts provided to the 340B program participants.

Receivables due directly from patients are carried at the original charge for the service provided less discounts provided under the Center's charity care policy, less amounts covered by third-party payors and less an estimated allowance for doubtful receivables. Management determines the allowance for doubtful accounts by identifying troubled accounts and by historical experience applied to an aging of accounts. The Center considers accounts past due when they are outstanding beyond 60 days with no payment. The Center generally does not charge interest on past due accounts. Patient receivables are written off against the allowance for doubtful accounts when deemed uncollectable. Recoveries of receivables previously written off are recorded as a reduction of bad debt expense when received.

DHHS grants and contracts receivable

DHHS grants and contracts receivable consist of costs under the grant and contract agreements which were incurred prior to year-end for which payment has not been received. DHHS grants and contracts receivable credit risk is limited due to the nature of the DHHS grants and contracts. The Center regularly monitors its DHHS grants and contracts receivable by investigating delayed payments and differences when payments received do not conform to the amount billed. The Center considers all DHHS grants and contracts as collectible.

Property and equipment

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

Construction-in-progress is recorded at cost. The Center capitalizes construction, insurance, interest and other costs during the period of construction. Depreciation is recorded when construction is substantially complete and the assets are placed in service.

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

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

Goodwill and other intangible assets

Goodwill is recognized for the excess of the purchase price over the fair value of the tangible and identifiable net assets of the business acquired. The Center performs goodwill impairment tests annually and whenever events or changes in circumstances indicate that the carrying value may not be recoverable; the test is done by comparing the fair value of the reporting unit that has goodwill to its carrying amount. Fair value is determined based on the present value of expected future cash flows from the reporting unit. If the carrying amount is greater than the fair value, then management assesses how much is the goodwill impairment. As of March 31, 2019, management's tests did not indicate impairment.

The Center capitalizes the costs of medical records and non-competition agreement obtained through acquisition, which comprise other intangible assets. Medical records and non-competition agreement are being amortized on a straight-line basis over estimated useful lives of 1.5 and 15 years, respectively. The Center periodically reviews the carrying value of its other intangible assets to determine whether an impairment exists. The Center considers relevant cash flow and profitability information for the related services in assessing whether the carrying value of the other intangible assets can be recovered. As of March 31, 2019, management's tests did not indicate impairment. For the year ended March 31, 2019, amortization expense related to medical records and non-competition agreement was \$750 and \$1,065, respectively.

Impairment of long-lived assets

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

Inventory

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

Patient services revenue

The Center has agreements with third-party payors that provide for payments to the Center at amounts different from its established rates. Payment arrangements include predetermined fee schedules and discounted charges. Service fees are reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered, including retroactive adjustments, if applicable, under reimbursement agreements with third-party payors, which are subject to audit by administering agencies. These adjustments are accrued on an estimated basis and are adjusted in future periods as final settlements are determined. The Center provides care to

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Notes to Financial Statements
March 31, 2019

certain patients under Medicaid and Medicare payment arrangements. Laws and regulations governing the Medicaid and Medicare programs are complex and subject to interpretation. Compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action. Self-pay revenue is recorded at published charges with charitable care deducted to arrive at gross self-pay patient revenue. Contractual allowances are then deducted to arrive at net self-pay patient revenue before provision for bad debts.

Charity care and community benefit

The Center is open to all patients, regardless of their ability to pay. In the ordinary course of business, the Center renders services to patients who are financially unable to pay for healthcare. The Center provides care to these patients who meet certain criteria under its sliding fee discount policy without charge or at amounts less than the established rates. Charity care services are computed using a sliding fee scale based on patient income and family size. The Center maintains records to identify and monitor the level of sliding fee discount it provides. For uninsured self-pay patients that do not qualify for charity care, the Center recognizes revenue on the basis of its standard rates for services provided or on the basis of discounted rates, if negotiated or provided by policy. On the basis of historical experience, a significant portion of the Center's uninsured patients will be unable or unwilling to pay for the services provided. Thus, the Center records a significant provision for bad debts related to uninsured patients in the period the services are provided.

Community benefit represents the cost of services for Medicaid, Medicare and other public patients for which the Center is not reimbursed.

Based on the cost of patient services, charity care approximated \$7,130,000 and community benefit approximated \$3,534,000 for the year ended March 31, 2019, respectively.

Grants and contracts revenue

Revenue from government grants and contracts designated for use in specified activities is recognized in the period when expenditures have been incurred in compliance with the grantor's restrictions. Grant and contracts awarded for the acquisition of long-lived assets are reported as unrestricted nonoperating revenue, in the absence of donor stipulations to the contrary, during the fiscal year in which the assets are acquired. Cash received in excess of revenue recognized is recorded as refundable advances. At March 31, 2019, the Center has received conditional grants and contracts from governmental entities in the aggregate amount of approximately \$11,636,000 that have not been recorded in the accompanying financial statements as they have not yet been earned. These grants and contracts require the Center to provide certain services during specified periods. If such services and capital expenditures are not provided during the periods, the governmental entities are not obligated to expend the funds allotted under the grants and contracts.

Contributions

Contributions are recorded at fair value when received or pledged. Amounts are recorded as revenue with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. Contributions received with no donor stipulations are recorded as revenue without donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the statement of activities and change in net assets as net assets released from restrictions. Donor restricted contributions whose restrictions expire during the same fiscal year are recognized as revenue without donor restrictions.

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Notes to Financial Statements
March 31, 2019

Pharmacy 340B program revenue

Pharmacy revenue is generated through the 340B program that the Center operates through its in-house pharmacy for the year ended March 31, 2019. This program allows the Center to offer discounted medications to eligible patients. The Center recognizes pharmacy revenue as prescriptions are filled. For the year ended March 31, 2019, the Center recognized pharmacy revenue amounting to \$1,602,213.

In-kind contributions

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

Meaningful use incentives

The American Recovery and Reinvestment Act of 2009 ("ARRA") amended the Social Security Act to establish one-time incentive payments under the Medicare and Medicaid programs for certain professionals that: (1) meaningfully use certified Electronic Health Record ("EHR") technology, (2) use the certified EHR technology for electronic exchange of health information to improve quality of healthcare and (3) use the certified EHR technology to submit clinical and quality measures. These provisions of ARRA, together with certain of its other provisions, are referred to as the Health Information Technology for Clinical and Economic Health ("HITECH") Act. The criteria for meaningful use incentives will be staged in three steps over the course of six years and be paid out based on a transitional schedule. There were no meaningful use incentives earned during the year ended March 31, 2019.

Interest earned on federal funds

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

Functional expenses

Expenses are charged to program services or general and administrative based on a combination of specific identification and allocation determined by the management on an equitable basis. Natural expenses attributable to more than one functional category are allocated using a variety of cost allocation bases such as square footage and full time equivalent.

Performance indicator

The statement of activities and change in net assets includes operating income prior to nonoperating revenue as the performance indicator. Changes in net assets which are excluded from the performance indicator include a DHHS grant for capital expenditures.

Tax status

The Center was incorporated as a not-for-profit corporation under the laws of the State of North Carolina and is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Therefore, there is no provision for income taxes. The Center has no unrecognized tax benefits at March 31, 2019. The Center's federal and state income tax returns prior to fiscal year 2016 are closed and management continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings.

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

Adoption of new accounting pronouncement

For the year ended March 31, 2019, the Center adopted the Financial Accounting Standards Board Accounting Standards Update ("ASU") 2016-14, *Not-for-Profit Entities* (Topic 958), *Presentation of Financial Statements for Not-for-Profit Entities*. This update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return between not-for-profit entities. A key change required by ASU 2016-14 relates to the net asset classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets, if applicable, are now reported as net assets with donor restrictions.

Subsequent events

The Center has evaluated subsequent events through November 4, 2019, which is the date the financial statements were available to be issued.

Note 3 - Availability and liquidity

The following represents the Center's financial assets at March 31, 2019:

Financial assets at year end	
Cash and cash equivalents	\$ 4,784,354
Patient services receivable, net	1,943,113
340B pharmacy receivable	110,152
DHHS grants receivable	278,201
Contracts receivable	<u>156,050</u>
Financial assets available to meet general expenditures over the next 12 months	<u><u>\$ 7,271,870</u></u>

The Center regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The Center's goal is generally to maintain financial assets to meet 90 days of operating expenses. As part of its liquidity plan, the Center has available \$2,500,000 of an operating line of credit which can be drawn upon in the event of immediate liquidity needs. As of March 31, 2019, the Center does not have an outstanding balance against this line of credit.

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Notes to Financial Statements
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Note 4 - Patient services receivable, net

Patient services receivable, net consist of the following:

Medicaid	\$ 1,492,741
Medicare	941,636
Other third-party	1,321,986
Self-pay	<u>254,973</u>
	4,011,336
Less allowance for doubtful accounts	<u>2,068,223</u>
Total	<u><u>\$ 1,943,113</u></u>

Patient services receivable is reduced by an allowance for doubtful accounts. In evaluating the collectability of patient services receivable, the Center analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for bad debts. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts. For receivables associated with services provided to patients who have third-party coverage, the Center analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for bad debts, if necessary (for example, for expected uncollectible deductibles and copayments on accounts for which the third-party payor has not yet paid, or for payors 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 Center records a provision for bad debts in the period of service 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 provided by the Center's policy and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts.

The Center's allowance for doubtful accounts was 52% of patient services receivable at March 31, 2019. The Center had material write-offs in the amount of \$3,186,201 for the year ended March 31, 2019. The Center has not changed its charity care or uninsured discount policies during fiscal year 2019.

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Notes to Financial Statements
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Note 5 - Contract services receivable

Contract services receivable consist of the following:

North Carolina Department of Health and Human Services Women, Infants, and Children Program	\$ 27,521
Eastpointe Human Services Substance Abuse Cross Area Service Program ("CASP") Non-UCR	53,925
Walk-In Crisis Center	13,881
Respite Bed	1,250
Robeson County Department of Public Health Ryan White Part B	20,490
Other	38,983
	<hr/>
Total	<u><u>\$ 156,050</u></u>

Note 6 - Property and equipment, net

Property and equipment, net consist of the following:

Land	\$ 245,780
Land improvement	749,559
Building and improvements	6,771,106
Furniture and equipment	3,956,430
Vehicles	1,076,171
	<hr/>
Subtotal	12,799,046
Less accumulated depreciation and amortization	6,558,986
	<hr/>
	6,240,060
Construction-in-progress	1,305,411
	<hr/>
Total	<u><u>\$ 7,545,471</u></u>

As of March 31, 2019, the construction-in-progress project is 99% completed and the Center has a construction project commitment of approximately \$3,000.

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

Note 7 - Goodwill and other intangibles

In October 2014, the Center entered into an Asset Purchase Agreement with Shallotte Medical Center, Inc. ("SMCI") to acquire certain assets of the medical practice. Pursuant to the Asset Purchase Agreement, SMCI executed a Bill of Sale and Assignment on October 27, 2014.

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Notes to Financial Statements
March 31, 2019

The purchase price for the assets was \$200,000. Included in the purchased assets are all furniture and equipment, including existing supplies and inventories of items consumed by patients in connection with the medical practice's operations, mailing list used, all rights, title and interest in and to all patient records as of effective date of the agreement, and the personal goodwill and going concern value of the medical practice.

The following table summarizes the amounts of the assets acquired and recognized at acquisition date:

Consideration		
Cash	\$	200,000
Fair value of total consideration transferred	\$	200,000
Property and equipment	\$	20,000
Medical records		30,000
Non-competition agreement		25,000
Total identifiable net assets		75,000
Goodwill		125,000
Total	\$	200,000

The goodwill of \$125,000 arising from the acquisition consists largely of synergies and economies of scale expected from combining the operations of the Center and SMCI. Goodwill is not subject to amortization; rather, it will be assessed for impairment at least annually.

The medical records and non-competition agreement will be amortized over a period of 1.5 and 15 years, respectively. As of March 31, 2019, the medical records and non-competition agreement net of amortization amounted to \$0 and \$18,274, respectively.

Goodwill and other intangible assets, net consist of the following as of March 31, 2019:

Medical records	\$	30,000
Non-competition agreement		25,000
		55,000
Accumulated amortization		38,226
		16,774
Goodwill		125,000
	\$	141,774

Note 8 - Line of credit

The Center has an unsecured revolving line of credit with a bank in the amount of \$2,500,000 maturing on November 30, 2019. Interest is payable monthly and is computed at the prime rate, 5.50% at March 31, 2019, plus .25%. There was no outstanding balance as of March 31, 2019.

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

Notes to Financial Statements
March 31, 2019

Note 9 - Long-term debt

Long-term debt consists of the following:

Installment loan agreement with the United States Department of Agriculture payable in annual installments including interest of 4.75%, with a final payment of all outstanding principal and interest due December 2033. Secured by an interest in all rents, revenues, fees, charges, assessments, and all income derived in connection with the operation of the facilities. The Center entered into this Rural Development loan agreement with the United States Department of Agriculture in 2001, for which it is required to make monthly deposits into a reserve account in an amount equal to 10% of the Rural Development payment. The deposits are to be made on a monthly basis until the reserve account has an amount equal to the equivalent of one year of principal payments. At March 31, 2019, the reserve account balance of \$65,571 exceeded one year of principal payments and is included in certificate of deposit, at cost, in the statement of financial position.	\$ 567,084
Less current portion	<u>29,247</u>
Long-term debt	<u><u>\$ 537,837</u></u>

Principal payment requirements on the above obligation in each of the five years subsequent to March 31, 2019 and thereafter are as follows:

2020	\$ 29,247
2021	30,567
2022	32,088
2023	33,613
2024	35,209
Thereafter	<u>406,360</u>
Total	<u><u>\$ 567,084</u></u>

Note 10 - Patient services revenue, net

The Center recognizes patient services revenue associated with services provided to patients who have Medicaid, Medicare, and other third-party payor coverage on the basis of contractual rates for services rendered. For uninsured self-pay patients that do not qualify for charity care, the Center recognizes revenue on the basis of its standard rates for services provided or on the basis of discounted rates provided by the Center's policy. Charity care services are computed using a sliding fee scale based on patient income and family size. On the basis of historical experience, a significant portion of the Center's uninsured patients will be unable or unwilling to pay for the services provided. Thus, the Center records a provision for bad debts related to uninsured patients

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

Notes to Financial Statements
March 31, 2019

in the period the services are provided. Patient services revenue, net of contractual allowances and discounts (but before the provision for bad debts), recognized in the year from these major payor sources, is as follows:

Medicaid	\$	2,278,503
Medicare		1,594,843
Other third-party		2,256,389
Self-pay		4,063,829
Medicaid cost report settlement from prior years		<u>935,627</u>
 Total	 \$	 <u><u>11,129,191</u></u>

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

Note 11 - DHHS grants

For the year ended March 31, 2019, the Center recognized grant revenue from the DHHS as follows:

Grant number	Grant period	Total grant	Revenue recognized
Operating grants			
6 H80CS00655-17-07	04/01/18 - 03/31/19	\$ 11,642,742	\$ 11,330,968
6 H76HA00547-19-01	04/01/18 - 03/31/19	329,179	302,355
6 H12HA24821-06-02	08/01/17 - 07/31/18	470,747	146,289
6 H12HA24821-07-01	08/01/18 - 07/31/19	500,134	<u>268,147</u>
Total			<u>12,047,759</u>
Nonoperating grant for capital expenditures			
6 C8DCS29709-01-03	05/01/16 - 04/30/19	1,000,000	<u>849,372</u>
			849,372
			<u><u>\$ 12,897,131</u></u>

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

Notes to Financial Statements
March 31, 2019

Note 12 - Contract services and other grants revenue

For the year ended March 31, 2019, contract services and other grants consist of the following:

North Carolina Department of Health and Human Services	
Women, Infants, and Children Program	\$ 172,757
HIV Pre/Post Test Counseling	2,716
Eastpointe Human Services	
Substance Abuse Cross Area Service Program	
(CASP) Non-UCR	628,947
Walk-in Crisis Center	100,000
SAPTBG HIV Drug Non-UCR	32,057
Respite Bed	15,000
Robeson County Department of Public Health	
Ryan White Part B	91,299
Other	55,608
	<hr/>
Total	\$ 1,098,384
	<hr/> <hr/>

Note 13 - In-kind contributions

In-kind contributions consist of the following:

Donated pharmaceuticals	\$ 14,226
Donated rent	60,208
Donated supplies	65,387
	<hr/>
Total	\$ 139,821
	<hr/> <hr/>

Note 14 - Pension plan

The Center maintains a defined contribution pension plan covering all employees who meet certain eligibility requirements. The Center, at its discretion, may elect to match a portion of the employees' contributions and may also elect to make profit-sharing contributions to the plan. For the year ended March 31, 2019, the Center contributed \$127,929 to the pension plan.

Note 15 - Commitments and contingencies

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

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

Notes to Financial Statements
March 31, 2019

The Center maintains its medical malpractice coverage under the Federal Tort Claims Act ("FTCA"). FTCA provides malpractice coverage to eligible PHS-supported programs and applies to the Center and its employees while providing services within the scope of employment included under grant-related activities. The Attorney General, through the U.S. Department of Justice, has the responsibility for the defense of the individual and/or grantee for malpractice cases approved for FTCA coverage. There are no known claims or incidents that may result in assertion of additional claims arising from services provided to patients as of March 31, 2019.

The healthcare industry is subject to voluminous and complex laws and regulations of federal, state and local governments. Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government healthcare program participation requirements, reimbursement laws and regulations, anti-kickback and anti-referral laws, and false claims prohibitions. In recent years, government activity has increased with respect to investigations and allegations concerning possible violations of reimbursement, false claims, anti-kickback and anti-referral statutes and regulation by healthcare providers.

The Center believes that it is in material compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. Upon audit, if discrepancies are discovered, the Center could be held responsible for refunding the amounts in question.

The Center leases various facilities under noncancelable operating leases, the longest lease of which expires in September 2024. Rent expense for the year ended March 31, 2019 amounted to \$334,789. Future minimum lease payments under these operating leases are as follows:

2020	\$	186,997
2021		80,089
2022		53,412
2023		53,412
2024		53,412
Thereafter		<u>22,255</u>
Total	\$	<u>449,577</u>

Note 16 - Subsequent event

In July 2019, the Center purchased property in the amount of \$1,500,000. As part of the financing of the purchase, the Center entered into a promissory note in the amount of \$1,400,000 maturing on July 30, 2029, with principal and interest payable monthly through maturity. The agreement calls for 119 monthly payments of \$8,520 and one balloon payment of \$848,124 due on July 30, 2029. The agreement requires interest to be charged at 3.99% per annum. The loan is collateralized by the property.

In September 2019, the Center received a Medicaid cost report settlement in the amount of \$823,023 pertaining to prior year. The balance is accrued for and included in patient services receivable, net in the statement of financial position as of March 31, 2019 and in patient services revenue in the statement of activities and change in net assets for the year ended March 31, 2019.

Supplementary Information

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

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

Federal or state grantor/ Pass-through grantor/Program or cluster title	Federal CFDA number	Agency or pass-through grantor's number	Passed through to subrecipients	Total expenditures
Federal awards:				
U.S. Department of Health and Human Services				
Direct programs:				
Health Centers Cluster:				
Consolidated Health Centers	93.224	N/A	\$ -	\$ 3,842,590
Affordable Care Act ("ACA") Grants for New and Expanded Services Under the Health Centers Program	93.527	N/A	-	<u>7,488,378</u>
Subtotal - Health Centers Cluster			<u>-</u>	<u>11,330,968</u>
Affordable Care Act (ACA) Grants for Capital Development in Health Centers	93.526	N/A	-	<u>849,372</u>
Coordinated Services and Access to Research for Women, Infants, Children, and Youth	93.153	N/A	-	<u>414,436</u>
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	93.918	N/A	-	<u>302,355</u>
Passed through North Carolina Department of Health and Human Services				
Block Grants for Prevention and Treatment of Substance Abuse	93.959	35163	-	2,716
Passed through Eastpointe Human Services				
Block Grants for Prevention and Treatment of Substance Abuse	93.959	Not available	-	<u>32,057</u>
Total - CFDA 93.959				<u>34,773</u>
Passed through Robeson County Department of Public Health				
HIV Care Formula Grants	93.917	00492-09	-	91,299
Passed through Wake County				
HIV Care Formula Grants	93.917	WCHS SF-FF 03-07-2016	-	<u>25,742</u>
Total - CFDA 93.917				<u>117,041</u>
Total U.S. Department of Health and Human Services				<u>13,048,945</u>
U.S. Department of Agriculture				
Passed through North Carolina Department of Health and Human Services				
Special Supplemental Nutrition Program for Women, Infants and Children	10.557	36049; 37482	-	<u>172,757</u>
Total expenditures of Federal awards			<u>\$ -</u>	<u>\$ 13,221,702</u>
State awards:				
State of North Carolina Grant Programs:				
Substance Abuse Cross Area Service Program (CASP) Non-UCR		09-E29-EP06	\$ -	\$ 628,947
Walk-In-Crisis Center		Not available	-	100,000
Transitional Beds (Angelic House)		Not available	-	<u>15,000</u>
			<u>\$ -</u>	<u>\$ 743,947</u>

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

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

Notes to Schedule of Expenditures of Federal and State Awards
March 31, 2019

Note 1 - Basis of presentation

The accompanying schedule of expenditures of federal and state awards (the "Schedule") includes the federal and state award activity of Tri-County Community Health Council, Inc. (d/b/a CommWell Health) (the "Center") under programs of the federal government and state agencies for the year ended March 31, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and the State Single Audit Implementation Act*. Because the Schedule presents only a selected portion of the operations of the Center, it is not intended to and does not present the financial position, change in net assets, or cash flows of the Center.

Note 2 - Summary of significant accounting policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Center has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 3 - Outstanding loan

At March 31, 2019, the Center has an outstanding loan with the United States Department of Agriculture as follows:

<u>Program title</u>	<u>CFDA no.</u>	<u>Amount</u>
Community Facilities Loans and Grants	10.766	\$ 567,084

The Center is required to maintain a reserve account equivalent to one year of principal payments. At March 31, 2019, the reserve account balance of \$65,571 exceeded the required reserve amount and is included in certificates of deposit, at cost in the statement of financial position.

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Tri-County Community Health Council, Inc. (d/b/a CommWell Health) (the "Center"), which comprise the statement of financial position as of March 31, 2019, and the related statements of activities and change in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 4, 2019.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

CohnReznick LLP

New York, New York
November 4, 2019

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

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

Report on Compliance for Each Major Federal Program

We have audited Tri-County Community Health Council, Inc.'s (d/b/a CommWell Health) (the "Center") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Center's major federal programs for the year ended March 31, 2019. The Center's major federal program is 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 the Center'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* (the "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 the Center's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Center's compliance.

Opinion on Each Major Federal Program

In our opinion, the Center complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended March 31, 2019.


Report on Internal Control over Compliance

Management of the Center 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 the Center's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control over compliance.

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

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

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



New York, New York
November 4, 2019

Independent Auditor's Report on Compliance for Each Major State Program and
Report on Internal Control over Compliance Required by the
Uniform Guidance and the State Single Audit Implementation Act

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

Report on Compliance for Each Major State Program

We have audited Tri-County Community Health Council, Inc.'s (d/b/a CommWell Health) (the "Center"), compliance with the types of compliance requirements described in *the Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on the Center's major state program for the year ended March 31, 2019. The Center's major state program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Center's major state program 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 applicable sections of *Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"), as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, the Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the Center's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major state program. However, our audit does not provide a legal determination of the Center's compliance.

Opinion on Each Major State Program

In our opinion, the Center complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major state program for the year ended March 31, 2019.

Report on Internal Control Over Compliance

Management of the Center 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 the Center's internal control over compliance with the types of requirements that could have a direct and material effect on a major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for the major state program and to test and report on internal control over compliance in accordance with the Uniform Guidance and the State Single Audit Implementation Act, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control over compliance.

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

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

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



New York, New York
November 4, 2019

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

**Schedule of Findings and Questioned Costs
Year Ended March 31, 2019**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted?

yes no

Federal awards

Internal control over major federal programs:

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

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

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

yes no

Identification of major federal programs:

CFDA Number(s)

Name of Federal Program or Cluster

93.224

U.S. Department of Health and Human Services:
Health Centers Cluster:

93.527

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

93.526

Affordable Care Act (ACA) Grants for Capital Development in Health Centers

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

\$750,000

Auditee qualified as low-risk auditee?

yes no

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

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

State awards

Internal control over major state programs:

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

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

Unmodified

Any audit findings disclosed that are required to be reported in
accordance with State Single Audit Implementation Act

yes no

Identification of major State program:

Program name

- Substance Abuse Cross Area Service Program (CASP) Non-UCR 09-E29-EP06

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

None

Section IV - State Award Findings and Questioned Costs

None

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