E. A. HAWSE HEALTH CENTER, INC.

Financial and Compliance Report
May 31, 2018

Arnett Carbis Toothman llp
CPAs & Advisors

CONTENTS

Arnett
Carbis
Toothman llp
CPAs & Advisors

actcpas.com

P.O. Box 908
600 Market Place Avenue
Suite 100
Bridgeport, WV 26330
304.624.5471 | 304.623.2807 fax
866.624.5471

INDEPENDENT AUDITOR'S REPORT

Board of Directors
E. A. Hawse Health Center, Inc.
Baker, West Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of E. A. Hawse Health Center, Inc. (Organization) which comprise the statements of financial position as of May 31, 2018, and 2017, and the related statements of activities, changes in net assets, and cash flows for the years 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 audits. We conducted our audits 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 E. A. Hawse Health Center, Inc. as of May 31, 2018, and 2017, and the results of operations, changes in its net assets, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated February 18, 2019, on our consideration of E. A. Hawse Health Center, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering E. A. Hawse Health Center, Inc.'s internal control over financial reporting and compliance.

Arnett Carbis Toothman LLP

Bridgeport, West Virginia
February 18, 2019

DHHR - Finance

MAR 11 2019

Date Received

E. A. HAWSE HEALTH CENTER, INC.

STATEMENTS OF FINANCIAL POSITION
May 31, 2018 and 2017

	2018	2017
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 1,763,082	$ 2,204,744
Patient receivables, net	1,555,703	1,127,186
Due from third party payers	80,000	50,000
Grants receivable	-	36,764
Inventories	562,200	456,858
Prepaid assets and deposits	114,970	34,376
Total current assets	4,075,955	3,909,928
PROPERTY AND EQUIPMENT		
Land	38,638	38,638
Buildings and improvements	2,404,094	2,404,094
Furniture and equipment	2,228,240	2,054,453
	4,670,972	4,497,185
Less accumulated depreciation	3,009,748	2,764,286
Property and equipment, net	1,661,224	1,732,899
Total assets	$ 5,737,179	$ 5,642,827
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Note payable, current portion	$ 26,693	$ 24,948
Accounts payable	59,625	85,747
Accrued expenses	574,062	481,901
Total current liabilities	660,380	592,596
NOTE PAYABLE, less current portion	344,385	373,203
DEFERRED REVENUE	40,746	25,600
Total liabilities	1,045,511	991,399
NET ASSETS		
Unrestricted	4,686,259	4,646,019
Temporarily restricted	5,409	5,409
Total net assets	4,691,668	4,651,428
Total liabilities and net assets	$ 5,737,179	$ 5,642,827

See Notes to Financial Statements

E. A. HAWSE HEALTH CENTER, INC.

STATEMENTS OF ACTIVITIES
Years Ended May 31, 2018 and 2017

	2018	2017
UNRESTRICTED REVENUE AND SUPPORT		
Net patient service revenue	$ 9,501,660	$ 9,033,535
Provision for bad debts	(143,679)	(285,399)
Net patient service revenue less provision for bad debts	9,357,981	8,748,136
Federal grants	1,455,963	1,433,832
State grants	139,111	127,066
Donated pharmaceuticals	76,163	127,008
Other	18,053	124,238
Net assets released from restrictions	-	17,262
Total unrestricted revenue and support	11,047,271	10,577,542
OPERATING EXPENSES		
Salaries and wages	5,306,962	4,756,206
Medical and other supplies	3,054,855	3,066,353
Payroll taxes and employee benefits	1,146,973	935,695
Rent	270,205	211,376
Contracted services	362,614	446,629
Depreciation	245,462	216,762
Utilities and telephone	204,112	198,793
Repairs and maintenance	91,510	96,952
Donated drugs and supplies	76,163	127,008
Travel and education	44,687	20,487
Insurance	38,783	23,603
Interest	26,150	31,955
Professional services	17,500	28,527
Other	121,055	136,423
Total operating expenses	11,007,031	10,296,769
Change in unrestricted net assets	$ 40,240	$ 280,773

See Notes to Financial Statements

E. A. HAWSE HEALTH CENTER, INC.

STATEMENTS OF CHANGES IN NET ASSETS
Years Ended May 31, 2018 and 2017

	Unrestricted Net Assets	Temporarily Restricted Net Assets	Total Net Assets
Balance May 31, 2016	$ 4,365,246	$ 22,671	$ 4,387,917
Net assets released from restrictions	-	(17,262)	(17,262)
Change in unrestricted net assets	280,773	-	280,773
Total change in net assets	280,773	(17,262)	263,511
Balance May 31, 2017	4,646,019	5,409	4,651,428
Net assets released from restrictions	-	-	-
Change in unrestricted net assets	**40,240**	-	**40,240**
Total change in net assets	**40,240**	-	**40,240**
Balance May 31, 2018	**$ 4,686,259**	**$ 5,409**	**$ 4,691,668**

See Notes to Financial Statements

E. A. HAWSE HEALTH CENTER, INC.

STATEMENTS OF CASH FLOWS
Years Ended May 31, 2018 and 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 40,240	$ 263,511
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by operating activities:		
Depreciation	245,462	216,762
Provision for bad debts	143,679	285,399
(Increase) decrease in assets:		
Patient receivables	(572,196)	115,244
Due from third party payers	(30,000)	(15,000)
Grants receivable	36,764	18,896
Inventories	(105,342)	(11,100)
Prepaid expenses and deposits	(80,594)	(12,601)
Increase (decrease) in liabilities:		
Accounts payable	(26,122)	(82,510)
Accrued expenses	92,161	65,367
Deferred revenue	15,146	(400)
Net cash provided by (used in) operating activities	(240,802)	843,568
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	(173,787)	(190,277)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on notes payable	(27,073)	(201,862)
Net increase (decrease) in cash and cash equivalents	(441,662)	451,429
Cash and cash equivalents:		
Beginning	2,204,744	1,753,315
Ending	$ 1,763,082	$ 2,204,744
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest	$ 26,150	$ 31,955

See Notes to Financial Statements

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

E. A. Hawse Health Center, Inc. (Organization) is a nonprofit organization established as a Federally Qualified Health Center (FQHC) for the purpose of providing primary care services to the residents of Hardy County, West Virginia and the surrounding areas. The Organization's principal operations are in Baker, West Virginia.

A summary of the Organization's significant accounting policies follows:

Basis of accounting: These financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United State of America, whereby revenue are recognized when earned, rather than when received, and expenses are recognized when incurred, rather than when paid.

Management's estimates: The preparation of financial statements in accordance 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 dates of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from those estimates.

Cash and cash equivalents and deposit risk: For purposes of statements of financial position and cash flows, the Organization considers all highly liquid investments which are readily convertible into known amounts of cash and have a maturity of three months or less when acquired to be cash equivalents. The carrying amount of cash equivalents approximates fair value because of the short maturity of these financial instruments.

In the normal course of business, the Organization may have deposits with local financial institutions in excess of Federal Deposit Insurance Corporation (FDIC) limits. The Organization has not experienced any losses in such accounts.

Patient receivables: Patient receivables represent the estimated net realizable amounts from patients, third party payers, and others for services rendered, based upon historical collection percentages. The Organization utilizes the reserve method for accounting for bad debts and provides for uncollectible accounts within the allowance for doubtful accounts. Amounts that are deemed uncollectible are charged against the allowance. Management's estimates of allowances for doubtful accounts are based on analysis of individual patient and third-party receivables. Delinquent accounts are determined on a case-by-case basis. Accounts receivable are reported net of allowance for uncollectible accounts and estimated adjustments of $744,481 and $563,522 as of May 31, 2018 and 2017, respectively.

Grants receivable: Grants receivable represent amounts billed to federal and state agencies but not paid as the fiscal year end. Certain grants which allow the Organization to draw down at any time would be included as a receivable and included with temporarily restricted net assets, if the award has been made but the amount has not been drawn down by the Organization.

Due from third party payer: Amounts due from third party payers represents amounts receivable for outstanding cost report settlements.

Inventories: Inventories consist of medical and other supplies to be consumed in the treatment of patients and the general operation of the Organization. Inventories are stated at lower of cost or net realizable value, based on the first-in, first-out method of valuation.

Property and equipment: Property and equipment are stated at cost for purchased items and fair value for contributed items. Assets whose expected useful lives are in excess of one year and cost (or fair value) is above a threshold established by the Board of Directors are capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets, using the American Hospital Association (AHA) estimated useful lives (3-39 years). Amortization expense on assets acquired under capital lease would be included with depreciation expense. Normal repairs and maintenance are expensed as incurred.

Upon sale or retirement of depreciable assets, costs and related accumulated depreciation or amortization are removed from the accounts and any resulting gain or loss on the sale is included in operations.

Compensated absences: A liability for compensated absences earned, but not paid as of May 31, 2018 and 2017, has been recognized and is included in accrued expenses on of the statements of financial position. As of May 31, 2018 and 2017, $253,947 and $241,796 remain unpaid, respectively.

Net assets: The Organization reports information regarding its financial position and activities according to three classes of net assets:

Unrestricted net assets are neither permanently nor temporarily restricted by donor or grantor imposed restrictions.

Temporarily restricted net assets result from contributions, grants, or other inflows of assets whose use by the Organization is limited by donor or grantor imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Organization, pursuant to those stipulations, from other asset enhancements and diminishments subject to the same kinds of stipulations, or from reclassifications to or from other classes of net assets as a consequence of donor or grantor imposed stipulations, their expiration by passage of time, or their fulfillment and removal by actions of the Organization pursuant to those stipulations.

Permanently restricted net assets result from contributions, grants, or other inflows of assets whose use by the Organization is limited by donor or grantor imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization, from other asset enhancements and diminishments subject to the same kinds of stipulations, or from reclassifications from or to other classes of net assets as a consequence of donor or grantor imposed stipulations. The Organization does not have any permanently restricted net assets.

Change in unrestricted net assets: The statements of activities report the change in net assets as the performance indicator as there are no transactions that would be considered peripheral or incidental to the operation of the Organization. Transactions deemed by management to be ongoing, major, or central to the provision of health care services are reported as unrestricted revenue and other support. Peripheral or incidental transactions would be reported as other income. Changes in net assets excluded from the change in unrestricted net assets, consistent with industry practice, would include grant funds received with restrictions. Accordingly, the change net assets is comparable to the excess of revenue over expenses.

Income taxes: The Organization is a not-for-profit entity that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an entity that is not a private foundation under 509(a)(1). Accordingly, no provision for income taxes has been provided.

The Organization follows guidance for accounting for uncertainty in income taxes recognized in an organization's financial statements that prescribes a recognition threshold of more-likely-than-not to be sustained upon examination by the appropriate taxing authorities. There were no uncertain tax positions recognized in the financial statements as a result of this guidance. Generally, the tax returns for the years ended May 31, 2015, and thereafter remain subject to examination by the Federal and State taxing authorities.

Revenue recognition: The Organization's revenue are received primarily from patients, governmental grants, and donated pharmaceuticals. Net patient service revenue is reported at the estimated net realizable amounts from patients and third-party payers. Revenue is based on encounters performed and medical services provided. The Organization is approved as a Federally Qualified Health Center (FQHC). As an FQHC, the Organization receives prospective payment, fee schedule reimbursement, and cost-based reimbursement from the Medicare program, and prospective payment and fee schedule reimbursement from the Medicaid program.

Revenue from Medicare and Medicaid programs represents a significant portion of net patient service revenue. These revenue are based, in part, on cost reimbursement principles and are subject to audit and retroactive adjustment by the respective third party fiscal intermediaries. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will differ from actual results. In the opinion of management, retroactive adjustments, if any, would not be material to the financial position or results of operations of the Organization.

Contractual allowances represent the difference between established billing rates and amounts estimated to be paid under various health benefit agreement, including Medicare, Medical Assistance of West Virginia, and other insurance plans. Provisions for contractual allowances are recorded in the period in which services are provided.

A summary of gross and net patient service revenue for the year ended May 31 is as follows:

	2018	2017
Gross patient service revenue	$ 13,399,719	$ 12,530,489
Less provision for:		
Contractual and other adjustments	3,898,059	3,496,954
Provision for bad debts	143,679	285,399
Net patient service revenue	$ 9,357,981	$ 8,748,136

Charity care: The Organization provides care to patients who meet certain criteria without charge or at amounts less than its established rates under a sliding fee arrangement covered by grant funds. The criteria for charity care consider family income, liquid assets, and family worth, as well as other subjective items. Because the Organization does not pursue collection of these amounts, they are not included in net patient revenue.

The net cost of charity care provided was approximately $582,904 and $680,942 for the years ended May 31, 2018 and 2017, respectively. The total cost estimate is based on the estimated charity revenue of each charity patient divided by the total revenue for all patients, multiplied by the total costs for the clinic. The net cost of charity care is determined by the total charity care cost less any patient-related revenue due to sliding-scale payments or other patient-specific sources, which were estimated to be $18,380 and $17,000 for the years ended May 31, 2018 and 2017, respectively. The estimates do not include costs associated with the patient assistance program and prescriptions for which the Organization only receives approximately $5 dispensing fee from the Medicaid program, which does not cover the average cost to the Organization.

Economic dependency: The Organization receives a significant portion of its support from federal and state government grants, Medicare and Medicaid programs and patient revenue. A material reduction in the level of support or nonpayment of fees generated would have a significant impact on the Organization's programs and activities and its ability to continue as a going concern. Patient service revenue is primarily limited to services provided to the residents of Hardy County, West Virginia, and the surrounding area. General economic conditions in the area significantly influence the Organization's ability to collect fees for services rendered.

Advertising: Advertising costs are expensed as incurred. Advertising expense amounted to $16,786 and $19,656 for the years ended May 31, 2018 and 2017, respectively.

Reclassifications: Certain minor reclassifications have been made to the 2017 financial statements to conform to the presentation used in 2018.

Subsequent events: The Organization's management has evaluated events that occurred through February 18, 2019, which is the date this report is available to be issued for potential recognition or disclosure.

Note 2. Recent Accounting Pronouncements

Revenue recognition: In May 2014, the FASB issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers*, which clarifies the principles for recognizing revenue and develops a common revenue standard for U.S. GAAP. This ASU attempts to remove inconsistencies and weaknesses in the current revenue recognition requirements, provides a more robust framework for addressing issues, improves comparability across entities and industries, provides more useful information to the users of the financial statements, and simplifies the preparation of financial statements by consolidating the number of requirements required to be referenced. Early adoption is not permitted. The guidance permits the use of either a retrospective or modified retrospective (cumulative effect) transition method. The Organization is currently evaluating the impact, if any, that adoption will have on its May 31, 2020, financial statements. Management has not yet selected a transition method nor has the effect of this guidance on the Organization's ongoing financial reporting been determined.

Leases: In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842) which supersedes FASB ASC Topic 840, *Leases*, and makes other conforming amendments to U.S. GAAP. This ASU requires, among other changes to the lease accounting guidance, lessees to recognize most leases on the balance sheet via a right-of-use asset and lease liability, and additional qualitative and quantitative disclosures. In addition, the updated guidance requires that lessors separate lease and non-lease components in a contract in accordance with the guidance. Transition guidance is provided within the ASU and generally requires a retrospective approach. The Organization is currently evaluating the impact, if any, that adoption will have on its May 31, 2021, financial statements.

Not-for-profit entities: In August 2016, the FASB issued ASU 2016-14, (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*. The amendments of this ASU change presentation and disclosure requirements for not-for-profit entities to provide more relevant information about their resources (and the changes in those resources) to donors, grantors, creditors, and other users. The amendments include qualitative and quantitative requirements in the financial statement presentation and disclosures regarding net asset classes, investment return, expenses, liquidity and availability of resources, and presentation of operating cash flows. The Organization is currently evaluating the impact, if any, that adoption will have on its May 31, 2019, financial statements.

Note 3. Malpractice Insurance

The Organization's employees are deemed to be employees of the federal government for the purpose of malpractice liability protection under the Federal Tort Claims Act. Pursuant to Section 224 of the Public Health Services Act, the Federal Tort Claims Act covers alleged negligent medical care during the performance of services for FQHCs when performing covered services at covered facilities.

Note 4. Pension Plan

During the year ended May 31, 2018, the Organization has established a 401(k) deferred compensation plan (Plan) for the benefit of eligible employees to defer a portion of their annual compensation. The Organization's Board of Directors determines the discretionary matching contribution to the Plan annually. For the year ended May 31, 2018, pension expense was $0.

Note 5. Line of Credit

The Organization has a line of credit with Capon Valley Bank in the amount of $250,000, with interest payable at 4.50%. The Organization did not have an outstanding balance under this line of credit as of May 31, 2018 or 2017. This line is secured by land and the E. A. Hawse Health Center building.

Note 6. Note Payable

The following is a summary of the note payable as of May 31:

	2018	2017
Capon Valley Bank; note payable in monthly installments of $4,094, including interest at 6.25%, secured by deed of trust, clinic buildings, and land, maturing on September, 2028.	$ 371,078	$ 398,151
Less current portion	26,693	24,948
	$ 344,385	$ 373,203

Aggregate annual maturities required on the note payable as of May 31, 2018, are as follows:

Years Ending May 31:	
2019	$ 26,693
2020	28,353
2021	30,234
2022	32,178
2023	34,249
Thereafter	219,371
	$ 371,078

Note 7. Lessor Leasing Arrangement Restricted Land

E. A. Hawse Health Center, Inc. has a lease agreement with Hemlock, LLC. This lease is for land that the Organization owns, but where a nursing home is located. The original lease began on August 9, 1983, and stated that the lessee was to pay $1 per year for 99 years. In October 2006, the agreement was amended and a lump sum of $30,000 was agreed upon for the remaining 75 years of the lease. Every year, $400 will be released from deferred revenue until 2081. The deferred revenue balance related to this lease as of May 31, 2018 and 2017, was $25,200 and $25,600, respectively.

The land that the Organization is leasing to Hemlock, LLC was acquired as part of a larger tract, which includes the location of the Organization. A portion of that land is considered a temporarily restricted net asset as the land cannot be sold or donated for the remainder of the lease agreement. It has been estimated that the leased land is 14% of the entire tract. The original carrying value of the leased land is $5,409.

The Organization also has month to month leases for its locations in Moorefield and Wardensville, West Virginia at a cost of $4,000 and $600 per month, respectively. The Organization leases its Mathias, West Virginia location for $1 per year for 25 years (ending in January 2023) and has an option to renew of an additional 25 years. The Petersburg, West Virginia location is leased for 10 years, expiring in July of 2025, with an option to renew for 10 additional years, at a cost of $13,196 per month plus any maintenance, insurance, and property taxes, which vary from year to year.

Note 8. Program and Other Expenditures

Directly identifiable expenses are charged to program and supporting services, while expenses related to more than one function are charged to programs and supporting services on the basis of periodic time and expense studies. General operating expenses include those expenses that are not directly identifiable with any other specific function, but provide for the overall support and direction of the Organization.

Expenditures for the years ended May 31, were as follows:

	2018	2017
Program service costs	$ 8,720,666	$ 8,292,451
Administrative and general	2,286,364	2,004,317
	$ 11,007,030	$ 10,296,768

Note 9. Commitments and Contingencies

Laws and regulations: The health care industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government health care program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers. Violations of these laws and regulations could result in expulsion from government health care programs, together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed.

Management believes that the Organization is in compliance with fraud and abuse as well as other applicable government laws and regulations. While no regulatory inquiries have been made, 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.

E. A. HAWSE HEALTH CENTER, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended May 31, 2018

Federal Grantor / Pass-Through Grantor / Program Title or Cluster	Federal CFDA Number	Award Amount	Federal Expenditures
U.S. Department of Health and Human Services			
Health Resources & Services Administration:			
Health Center Program Cluster Consolidated Health Centers Program	93.224	$ 333,511	$ 333,511
Affordable Care Act Grants for New and Expanded Services under the Health Center Program	93.527	1,122,452	1,122,452
Total expenditures of federal awards		$ 1,455,963	$ 1,455,963

See Notes to Schedule of Expenditures of Federal Awards

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal award activity of E. A. Hawse Health Center, Inc. (Organization) under programs of the federal government for the year ended May 31, 2018. 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 the Organization, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Organization. Additionally, due to the different reporting requirements of the financial statements from those of the above schedule, some amounts presented may differ from amounts presented in, or used in, the preparation of the financial statements.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Additionally, the Organization has never negotiated an indirect cost rate with its cognizant agency. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, where in certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3. Summary of Significant Accounting Policies

The Organization does not seek reimbursement of indirect costs under its federal programs. Additionally, the Organization has never negotiated an indirect cost rate with its cognizant agency. Therefore, the Organization has elected to use the 10% de minimis indirect cost rate for the current fiscal year.

Note 4. Sub-recipients

The Organization does not pass federal funds through to any sub-recipients.

E. A. HAWSE HEALTH CENTER, INC.

SCHEDULE OF EXPENDITURES OF STATE AWARDS
Year Ended May 31, 2018

State Grantor / Program	Grant Number	Grant Award	Grant Receipts	Grant Expenditures	Grant (Deferred)
West Virginia Department of Health and Human Resources:					
Uncompensated Care Grant					
(07/01/16 - 06/30/2017)	G170364	$ 121,198	$ 13,330	$ 13,330	$ -
(07/01/17 - 06/30/2018)	G180356	$ 141,327	141,327	125,781	(15,546)
Total expenditures of state awards			$ 154,657	$ 139,111	$ (15,546)

See Notes to Schedule of Expenditures of State Awards

Note 1. Basis of Presentation

The accompanying schedule of expenditures of state awards (Schedule) includes the state award activity of E. A. Hawse Health Center, Inc. (Organization) under programs of the state government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of the State of West Virginia. Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Organization. Additionally, due to the different reporting requirements of the financial statements from those of the above schedule, some amounts presented may differ from amounts presented in, or used in, the preparation of the financial statements.

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 and the State of West Virginia, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3. Summary of Significant Accounting Policies

The Organization does not seek reimbursement of indirect costs under its federal programs. Additionally, the Organization has never negotiated an indirect cost rate with its cognizant agency. Therefore, the Organization has elected to use the 10% de minimis indirect cost rate for the current fiscal year.

Arnett
Carbis
Toothman llp
CPAs & Advisors

actcpas.com

P.O. Box 908
600 Market Place Avenue
Suite 100
Bridgeport, WV 26330
304.624.5471 | 304.623.2807 fax
866.624.5471

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

Board of Directors
E. A. Hawse Health Center, Inc.
Baker, West Virginia

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 E. A. Hawse Health Center, Inc. (Organization), a nonprofit corporation, which comprise the statement of financial position as of May 31, 2018, and the related statements of activities, changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 18, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered E. A. Hawse Health Center, Inc.'s internal control over financial reporting (internal control) to determine the auditing 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 E. A. Hawse Health Center, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses. We consider items number 2018-001, 2018-002 and 2018-003 to be material weaknesses. 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 were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

Compliance and Other Matters

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

E. A. Hawse Health Center, Inc.'s Response to Findings

The Organization's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Organization's response was not subject to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

Purpose of This Report

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

Arnett Carbis Toothman LLP

Bridgeport, West Virginia
February 18, 2019

Arnett
Carbis
Toothman llp
CPAs & Advisors

actcpas.com

P.O. Box 908
600 Market Place Avenue
Suite 100
Bridgeport, WV 26330
304.624.5471 | 304.623.2807 fax
866.624.5471

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR MAJOR FEDERAL PROGRAMS AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors
E. A. Hawse Health Center, Inc.
Baker, West Virginia

Report on Compliance for Each Major Federal Program

We have audited E. A. Hawse Health Center, Inc.'s compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on E. A. Hawse Health Center, Inc.'s major federal programs for the year ended May 31, 2018. E. A. Hawse Health Center, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for E. A. Hawse Health Center, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards 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 (CFR)* 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 E. A. Hawse Health Center, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of E. A. Hawse Health Center, Inc.'s compliance with those requirements.

Opinion on Major Federal Programs

In our opinion, E. A. Hawse Health Center, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended May 31, 2018.

Bridgeport, WV • Buckhannon, WV • Charleston, WV • Columbus, OH • Meadville, PA • Morgantown, WV • New Castle, PA • Pittsburgh, PA

Report on Internal Control Over Compliance

Management of E. A. Hawse Health Center, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit, we considered E. A. Hawse Health Center, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on its major federal programs to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major federal programs 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 E. A. Hawse Health Center, Inc.'s internal control over compliance.

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

Our consideration of the 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, as defined above. However, material weaknesses may exist that have not been identified.

Purpose of This Report

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

Arnett Carbis Toothman LLP

Bridgeport, West Virginia
February 18, 2019

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended May 31, 2018

SECTION I – SUMMARY OF INDEPENDENT AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified			
Internal control over financial reporting:				
Material weakness(es) identified?	X	Yes		No
Significant deficiency(ies) identified?		Yes	X	None Reported
Noncompliance material to financial statements noted?		Yes	X	No

Federal Awards

Type of auditor's report issued on compliance for major programs:	Unmodified			
Internal control over major programs:				
Material weakness(es) identified?		Yes	X	No
Significant deficiency(ies) identified?		Yes	X	None Reported
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?		Yes	X	No

Identification of Major Programs:

CFDA Numbers	Name of Federal Program or Cluster
93.224	Consolidated Health Centers Program
93.527	Affordable Care Act Grants for New and Expanded Services under the Health Center Program

Dollar threshold used to distinguish between type A and type B programs	$750,000			
Auditee qualified as low-risk auditee?		Yes	X	No

SECTION II – FINANCIAL STATEMENT FINDINGS

Material weaknesses in Internal Control over Financial Reporting

Finding 2018 - 001

Finding: Inventories were overstated.

Criteria: The Organization maintains both a perpetual and an annual physical inventory count. These controls are in place to ensure that all pharmaceuticals are properly recorded and accounted for by the Organization.

Condition: The Organization posts purchases of pharmacy items into inventory at the time of purchase but did not reclassify the inventory to pharmacy expense at the time of sale.

Cause: The Organization did not make necessary adjusting entries related to inventory when it made the corresponding entry for pharmacy sales.

Effect: The Organization's balance sheet accounts related to inventory and its pharmacy expense accounts were misstated during the fiscal year.

Questioned Costs: There were no questioned costs associated with this finding.

Recommendation: We recommend that each month as the pharmacy sales are recorded, a corresponding entry for the pharmacy expense be posted. Additionally, the inventory should be reconciled to the inventory count when it is performed annually, if not more frequently to the perpetual inventory counts, available to the Organization.

Views of Responsible Official: Management agrees to the recommendation and will implement new journal entries monthly. See Corrective Action Plan for actions taken.

Finding 2018 - 002

Finding: Accounts payable and other liabilities were not reviewed and adjusted during the period.

Criteria: Accounts payable, accrued expenses, and the related expense accounts should be reviewed on a periodic basis to ensure that the electronic accounting system is maintaining accurate records of the Organization's activities. The accounting records of the Organization should reflect the proper accounts payable, accrued expenses, and the related expense accounts of each business transaction in which the Organization engages.

Condition: The Organization did not capture invoices in the accounts payable account in the correct period, resulting in accounts payable being understated by a significant amount. Additionally, it appears that certain accrued expenses related to payroll and vacation time were not adjusted at year end to the estimated balances. It appears that there was not a proper reconciliation made of the accounts payable and accrued expense accounts at the fiscal year end.

Cause: The Organization did not enter the proper due date for certain invoices paid subsequent to year end. This resulted in the accounts payable not reflecting some invoices which were paid subsequent to year end. Certain payroll liability accounts receive liabilities for amounts withheld from employee paychecks, however, the corresponding payment was occasionally expensed instead of relieving the related liability. This results in a situation in which the payroll liability accounts reflect improper balances.

Effect: The Organization's balance sheet liability accounts and expense accounts were not accurate at fiscal year end.

Questioned Costs: There were no questioned costs associated with this finding.

Recommendation: We recommend the all balance sheet liability accounts receive a review at least quarterly.

Views of Responsible Official: Management is implementing a process to reconcile the accounts payable subsidiary ledger on a monthly basis. See Corrective Action Plan for actions taken.

Finding 2018 - 003

Finding: Depreciation expense was not posted during the year.

Criteria: The Organization should post depreciation on its fixed assets on a periodic basis, to estimate the reduction in value to these assets over time.

Condition: The Organization did not post depreciation expense for the fiscal year.

Cause: The Organization contracts to an outside party to maintain its fixed asset listing. Due to miscommunication between the outside entity and the accounting department, the accounting department did not realize it had a reasonable estimate to post depreciation expense.

Effect: The Organization's fixed asset accounts were overstated and depreciation expense accounts were understated during the fiscal year.

Questioned Costs: There were no questioned costs associated with this finding.

Recommendation: We recommend the accounting department obtain a depreciation schedule from the outside vendor and post entries to the accounting records at least monthly. Additionally, the accounting department should report any fixed asset purchases, the estimated useful lives, and accounts it is posted in to the outside vendor so that updated fixed asset listings can be maintained for the Organization.

Views of Responsible Official: Management agrees with the recommendation and will implement a policy to ensure journal entries are posted monthly. See Corrective Action Plan for actions taken.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended May 31, 2018

Finding 2017 - 001

Finding: Transition to New Accounting Software.

Criteria: The electronic data processing system for an organization should keep up to date and accurate records of all transactions and maintain an accurate listing of account balances. The accounting department should review these transactions periodically and ensure that they are accurately posted.

Condition: Accounting records in the electronic data processing system appear to have been processed correctly, however, the beginning balance numbers were not properly entered into the system.

Cause: The Organization did not enter the beginning balances for the balance sheet accounts when the new software was purchased. The beginning balances should be considered and entered when a new software system is implemented. This is normally an infrequent occurrence. This should have been noticed and corrected when the reconciliations for bank accounts and other balance sheet accounts were reviewed.

Effect: The Organization's balance sheet accounts were not accurate during the fiscal year.

Questioned Costs: There were no questioned costs associated with this finding.

Recommendation: We recommend that all balance sheet accounts receive a review at least quarterly, and the more significant accounts (i.e. cash, accounts receivable, accounts payable) be reviewed at the end of each month to ensure they are accurately stated in the electronic data processing system.

Corrective Action Taken: Management has made the corrective entries to the software.

Finding 2017 - 002

Finding: Posting of cash receipts and revenue for pharmacy accounts.

Criteria: Revenue and related receivable transactions should be posted to the electronic accounting system on a recurring and routine basis. These postings can occur on a daily, weekly or monthly basis. The accounting records of the organization should reflect the proper revenue and receivable activities of each business transaction in which the Organization engages.

Condition: The Organization posted the receipts from the pharmacy programs to accounts receivable as proper. However, the revenue portion of the pharmacy transactions were not recorded on a regular basis. It appears that there was not a proper reconciliation made of the pharmacy receivable or revenue accounts during the fiscal year.

Cause: The Organization did not enter the beginning balances for the balance sheet account, the revenue and receivable transactions were not posted periodically and it does not appear the accounting department reviewed the accounts on a periodic basis to compare to the subsidiary records.

Effect: The Organization's balance sheet and revenue accounts were not accurate during the fiscal year.

Questioned Costs: There were no questioned costs associated with this finding.

Recommendation: We recommend the all balance sheet accounts receive a review at least quarterly, that all revenue transactions be posed to the accounting records at least monthly.

Corrective Action Taken: Management implemented a monthly process to record all revenue for pharmacy and other programs on a timely basis.

Finding 2017 - 003

Finding: Accounts payable and other liabilities were not reviewed and adjusted during the period.

Criteria: Accounts payable, accrued expenses and the related expense accounts should be reviewed on a periodic basis to ensure that the electronic accounting system is maintaining accurate records of the Organization's activities. The accounting records of the Organization should reflect the proper accounts payable, accrued expenses and the related expense accounts of each business transaction in which the Organization engages.

Condition: The Organization did not capture certain invoices properly in the accounts payable account, resulting in accounts payable being understated by a significant amount. Additionally, it appears that certain accrued expenses related to payroll and vacation time were not adjusted at year end to the estimated balances. It appears that there was not a proper reconciliation made of the accounts payable and accrued expense accounts during the fiscal year.

Cause: The Organization did not enter the beginning balances for the balance sheet accounts, the liability amounts were not posted periodically and it does not appear the accounting department reviewed the accounts on a periodic basis to compare to the subsidiary records.

Effect: The Organization's balance sheet and expense accounts were not accurate during the fiscal year.

Questioned Costs: There were no questioned costs associated with this finding.

Recommendation: We recommend the all balance sheet accounts receive a review at least quarterly.

Corrective Action Taken: Management implemented a monthly process to reconcile accounts payable subsidiary ledger regularly. However, a similar issue continued into the current period related to this finding. See Finding 2018-002.

Hawse Health

(304) 897-5915
FAX (304) 897-6216
PO Box 97
Baker, WV 26801
HAWSEHEALTH.COM

February 26, 2019

Corrective Action Plan

The attached letter is our corrective action plan for the 2018 financial statement audit.

Related finding and questioned costs.

Finding 2018 - 001

Finding: Inventories were overstated.

Criteria: The Organization maintains both a perpetual and an annual physical inventory count. These controls are in place to ensure that all pharmaceuticals are properly recorded and accounted for by the Organization.

Condition: The Organization posts purchases of pharmacy items into inventory at the time of purchase but did not reclassify the inventory to pharmacy expense at the time of sale.

Cause: The Organization did not make necessary adjusting entries related to inventory when it made the corresponding entry for pharmacy sales.

Effect: The Organization's balance sheet accounts related to inventory and its pharmacy expense accounts were misstated during the fiscal year.

Questioned Costs: There were no questioned costs associated with this finding.

Recommendation: We recommend that each month as the pharmacy sales are recorded, a corresponding entry for the pharmacy expense be posted. Additionally, the inventory should be reconciled to the inventory count when it is performed annually, if not more frequently to the perpetual inventory counts, available to the Organization.

Views of Responsible Official: Management agrees to the recommendation and will implement new journal entries monthly.

Corrective Action: The purchases for medical supplies and pharmaceuticals will be altered to be coded to the expense accounts for the period and periodic adjustments posted to adjust the inventory balances based on perpetual or annual physical inventory counts. Inventory balances will be reviewed monthly. This process will be overseen by the Chief Financial Officer (CFO).

Finding 2018 - 002

Finding: Accounts payable and other liabilities were not reviewed and adjusted during the period.

Criteria: Accounts payable, accrued expenses, and the related expense accounts should be reviewed on a periodic basis to ensure that the electronic accounting system is maintaining accurate records of the Organization's activities. The accounting records of the Organization should reflect the proper accounts payable, accrued expenses, and the related expense accounts of each business transaction in which the Organization engages.

Condition: The Organization did not capture invoices in the accounts payable account in the correct period, resulting in accounts payable being understated by a significant amount. Additionally, it appears that certain accrued expenses related to payroll and vacation time were not adjusted at year end to the estimated balances. It appears that there was not a proper reconciliation made of the accounts payable and accrued expense accounts at the fiscal year end.

Cause: The Organization did not enter the proper due date for certain invoices paid subsequent to year end. This resulted in the accounts payable not reflecting some invoices which were paid subsequent to year end. Certain payroll liability accounts receive liabilities for amounts withheld from employee paychecks, however, the corresponding payment was occasionally expensed instead of relieving the related liability. This results in a situation in which the payroll liability accounts reflect improper balances.

Effect: The Organization's balance sheet liability accounts and expense accounts were not accurate at fiscal year-end.

Questioned Costs: There were no questioned costs associated with this finding.

Recommendation: We recommend the all balance sheet liability accounts receive a review at least quarterly.

Views of Responsible Official: Management is implementing a process to reconcile the accounts payable subsidiary ledger on a monthly basis.

Corrective Action: Management and the accounting staff, have received some education related to recording invoices and related liabilities. Management (the CFO) is implementing a process to reconcile the accounts payable subsidiary ledger on a monthly basis and related liability accounts. It is expected that the financial statements will be adjusted properly beginning with the February 2019 month end.

Finding 2018 - 003

Finding: Depreciation expense was not posted during the year.

Criteria: The Organization should post depreciation on its fixed assets on a periodic basis, to estimate the reduction in value to these assets over time.

Condition: The Organization did not post depreciation expense for the fiscal year.

Cause: The Organization contracts to an outside party to maintain its fixed asset listing. Due to miscommunication between the outside entity and the accounting department, the accounting department did not realize it had a reasonable estimate to post depreciation expense.

Effect: The Organization's fixed asset accounts were overstated and depreciation expense accounts were understated during the fiscal year.

Questioned Costs: There were no questioned costs associated with this finding.

Recommendation: We recommend the accounting department obtain a depreciation schedule from the outside vendor and post entries to the accounting records at least monthly. Additionally, the accounting department should report any fixed asset purchases, the estimated useful lives, and accounts it is posted in to the outside vendor so that updated fixed asset listings can be maintained for the Organization.

Views of Responsible Official: Management agrees with the recommendation and will implement a policy to ensure journal entries are posted monthly. See Corrective Action Plan for actions taken.

Corrective Action: The depreciation schedule has been updated as of May 31, 2018. The Clinic has updated depreciation for the fiscal year in process. The CFO is overseeing the implementation of these monthly entries.

Tracie D. Ray, CFO

Tracie D. Ray

DHHR - Finance

MAR 11 2019

Date Received