

**CLAY-BATTELLE
HEALTH SERVICES ASSOCIATION**

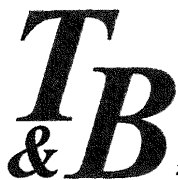
**INDEPENDENT AUDITOR'S REPORT AND
RELATED FINANCIAL STATEMENTS**

MAY 31, 2021 AND 2020



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Tetrick & Bartlett, PLLC

**Certified Public Accountants
Consultants**

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Clay-Battelle Health Services Association
Blacksville, West Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of Clay-Battelle Health Services Association (a nonprofit organization), which comprise the balance sheets as of May 31, 2021 and 2020, and the related statements of operations, and 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 audits to obtain reasonable assurance about whether the financial statements are free of 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 Clay-Battelle Health Services Association as of May 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements for the year ended May 31, 2021, Clay-Battelle Health Services Association adopted new accounting guidance ASU Number 2016-18, *Statement of Cash Flows (Topic 230)* and ASU Number 2014-09, *Revenue from Contracts with Customers (Topic 606)*. Our opinion is not modified with respect to this matter.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain

additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2021, on our consideration of Clay-Battelle Health Services Association'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 Clay-Battelle Health Services Association'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 Clay-Battelle Health Services Association's internal control over financial reporting and compliance.

Tetrick & Bartlett,
Clarksburg, West Virginia
October 22, 2021
PLLC

CLAY-BATTELLE HEALTH SERVICES ASSOCIATION
BALANCE SHEETS
MAY 31,

	2021	2020
ASSETS		
Current Assets		
Cash and equivalents	\$ 1,709,556	\$ 976,179
Accounts receivable, net	130,039	64,259
Settlements due from third-party payors	11,000	11,000
Grants receivable	10,924	323,316
Inventory	20,795	15,921
Prepaid assets	27,012	19,196
Other assets	<u>187,527</u>	<u>95,348</u>
Total current assets	<u>2,096,853</u>	<u>1,505,219</u>
Noncurrent Assets		
Land, buildings and equipment (net)	<u>790,587</u>	<u>853,534</u>
TOTAL ASSETS	<u>\$ 2,887,440</u>	<u>\$ 2,358,753</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Notes payable, current portion	\$ 51,135	\$ 108,916
Accounts payable	24,876	64,962
Accrued other liabilities	<u>68,524</u>	<u>55,754</u>
Total current liabilities	<u>144,535</u>	<u>229,632</u>
Long-Term Liabilities		
Note payable, noncurrent portion	<u>260,335</u>	<u>427,615</u>
Total liabilities	<u>404,870</u>	<u>657,247</u>
Net Assets		
Without donor restrictions	<u>2,482,570</u>	<u>1,701,506</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,887,440</u>	<u>\$ 2,358,753</u>

See accompanying notes and independent auditor's report.

**CLAY-BATTELLE HEALTH SERVICES ASSOCIATION
STATEMENTS OF OPERATIONS AND
CHANGES IN NET ASSETS
FOR THE YEARS ENDED MAY 31,**

	2021	2020
Changes in Net Assets Without Donor Restrictions		
Unrestricted revenues and support		
Patient service revenues (net of contractual allowances and discounts)	\$ 1,546,709	\$ 1,476,159
Provision for uncollectible accounts	<u>(33,124)</u>	<u>(54,071)</u>
Net patient service revenue	1,513,585	1,422,088
Grant funding	1,680,519	1,594,672
Donated drugs and supplies	21,022	13,962
Income from pharmacy contract	220,103	205,291
Provider relief funding	30,756	137,057
Other revenue	<u>269,021</u>	<u>48,595</u>
Total unrestricted revenues and support	<u>3,735,006</u>	<u>3,421,665</u>
Expenses		
Salaries and wages	1,536,736	1,590,845
Employee benefits	524,369	543,395
Donated drugs and supplies	21,022	13,962
Supplies	232,853	205,040
Utilities and telephone	82,032	59,833
Depreciation and amortization	69,335	73,246
Billing service provider fees	86,337	122,193
Professional services	95,568	116,091
Repairs and maintenance	98,049	110,718
Interest	17,209	17,396
Insurance	40,160	42,031
Advertising	42,597	14,732
Rent	18,802	19,642
Continuing education	4,360	4,512
Other	<u>84,513</u>	<u>85,467</u>
Total expenses	<u>2,953,942</u>	<u>3,019,103</u>
Change in net assets without donor restrictions	781,064	402,562
Net assets - without donor restrictions June 1,	<u>1,701,506</u>	<u>1,298,944</u>
Net assets - without donor restrictions May 31, - restated	<u><u>\$ 2,482,570</u></u>	<u><u>\$ 1,701,506</u></u>

See accompanying notes and independent auditor's report.

CLAY-BATTELLE HEALTH SERVICES ASSOCIATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MAY 31,

	2021	2020
Cash Flows from Operating Activities		
Change in net assets without donor restrictions	\$ 781,064	\$ 402,562
Adjustments to reconcile change in net assets without donor restrictions to net cash provided by (used in) operating activities:		
(Income) loss from pharmacy contract	(220,103)	(205,291)
Depreciation and amortization	69,335	73,246
Provision for uncollectible accounts	(33,124)	(54,071)
PPP loan forgiveness	(173,300)	-
Changes in operating assets and liabilities:		
Decrease (increase) in accounts receivable	(32,656)	119,060
Decrease (increase) in settlements due from third-party payors	-	8,000
Decrease (increase) in grants receivable	312,392	(306,170)
Decrease (increase) in inventory	(4,874)	1,144
Decrease (increase) in prepaid assets	(8,074)	22,166
Decrease (increase) in other assets	127,924	132,003
Increase (decrease) in accounts payable	(40,086)	38,079
Increase (decrease) in accrued expenses	12,770	(28,021)
Net cash provided by (used in) operating activities	<u>791,268</u>	<u>202,707</u>
Cash Flows from Investing Activities		
Payments for property and equipment	<u>(6,130)</u>	<u>(115,209)</u>
Net cash provided by (used in) investing activities	<u>(6,130)</u>	<u>(115,209)</u>
Cash Flows from Financing Activities		
Proceeds from notes payable	-	173,300
Payments on notes payable and line of credit	<u>(51,761)</u>	<u>(43,036)</u>
Net cash provided by (used in) financing activities	<u>(51,761)</u>	<u>130,264</u>
Increase (decrease) in cash	733,377	217,762
Cash at beginning of year	<u>976,179</u>	<u>758,417</u>
Cash at end of year	<u>\$ 1,709,556</u>	<u>\$ 976,179</u>

See accompanying notes and independent auditor's report.

**CLAY-BATTELLE HEALTH SERVICES ASSOCIATION
STATEMENTS OF CASH FLOWS (CONT')
FOR THE YEARS ENDED MAY 31,**

	2021	2020
Cash and Cash Equivalents and Restricted Cash Consist of:		
Cash and cash equivalents	\$ 1,709,556	\$ 976,179
Total Cash and cash equivalents	<u>\$ 1,709,556</u>	<u>\$ 976,179</u>
 Supplemental Disclosures of Cash Flow Information		
Cash paid during the year for interest	<u>\$ 17,209</u>	<u>\$ 17,396</u>
Paycheck Protection Program (PPP) forgiveness December 2020	<u>\$ 173,300</u>	<u>\$ -</u>

See accompanying notes and independent auditor's report.

CLAY-BATTELLE HEALTH SERVICES ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

Description of Organization

Clay-Battelle Health Services Association, (Association) is a non-profit, non-stock corporation organized and existing under the laws of West Virginia. The Association was established for the purpose of providing primary care services to the residents of Monongalia and Wetzel Counties, West Virginia and the surrounding area. The Association is recognized as a Federally Qualified Health Center (FQHC).

Basis of Accounting and Reporting

Clay-Battelle Health Services Association uses the accrual basis of accounting under which expenses are recorded when incurred, not when paid, and income is recorded when earned, not when received.

To ensure observance of limitations and restrictions placed on the use of available resources, the accounts of Clay-Battelle Health Services Association are maintained in accordance with the principles of fund accounting. Under such principles, resources for various purposes are classified for accounting and reporting purposes into funds that are in accordance with specified activities or objectives.

The financial statements are prepared in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 958-205, *Not-for-Profit Entities*, Presentation of Financial Statements. During 2019, the Association adopted the provisions of Accounting Standards Updated ("ASU") 2016-14, *Not-for-Profit Entities (Topic 958) Presentation of Financial Statements of Not-for-Profit Entities*, which improves the current net asset classification and the related information presented in the financial statements and notes about the Association's liquidity, financial performance, and cash flows.

Furthermore, the Association reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restriction.

Net Assets Without Donor Restriction – Net assets that are not subject to or are no longer subject to donor-imposed stipulations.

Net Assets With Donor Restriction – Net assets whose use is limited by donor-imposed time and/or purpose restrictions.

See independent auditor's report.

CLAY-BATTELLE HEALTH SERVICES ASSOCIATION NOTES TO FINANCIAL STATEMENTS (CONTD)

Revenues are reported as increases in net assets without donor restriction unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restriction. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor restrictions on the net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets. The Association has adopted a policy to classify donor restricted contributions as without donor restrictions to the extent that donor restrictions were met in the year the contribution was received.

Unconditional promises to give are recognized as revenue and included in receivables in the period the promise is given. Such unconditional promises to give are recorded at net realizable value if expected to be collected in one year and at fair value if expected to be collected in more than one year.

Contributions of long-lived assets are reported as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Contributions of long-lived assets with explicit restrictions that specify how the assets are to be used, and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations regarding how those long-lived assets are to be used, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Revenue Recognition

Revenue from Exchange Transactions – The Association recognizes revenue in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers*, as amended. ASU 2014-09 applies to exchange transactions with customers that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition. The Association records the following exchange transaction revenue in its statement of operations for the year ending May 31, 2021.

Program Income – The Association receives program revenue from various sources such as Medicare, Medicaid, and private insurance carriers as well as self-paying patients in exchange for the value of assistance provided to patients that are in need of the Association providing primary health and dental care services. This revenue is recognized by the Association as it is earned.

See independent auditor's report.

CLAY-BATTELLE HEALTH SERVICES ASSOCIATION NOTES TO FINANCIAL STATEMENTS (CONT'D)

Grant Income – The Association receives grants from various agencies in exchange for the value of assistance provided to patients that are in need of the Association's services. This revenue is recognized by the Association as it is earned.

Contributions – Unconditional promises to give that are expected to be collected within one year are recorded as receivables at their estimated realizable value in the year made. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows.

Other Revenue – Other revenue consists primarily of rent revenue that is recognized on a monthly basis as earned.

Use of Estimates

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

Cash and Cash Equivalents

Cash equivalents consist of liquid assets with original maturities of less than three months, excluding assets whose use is limited by the Association.

Accounts Receivable, net

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual receivables from grants, contracts, Medicaid/Medicare, and others. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to the applicable account receivable. The allowance for uncollectible accounts and contractual adjustments at May 31, 2021 and 2020, was \$67,000 and \$67,000, respectively.

See independent auditor's report.

CLAY-BATTELLE HEALTH SERVICES ASSOCIATION

NOTES TO FINANCIAL STATEMENTS (CONT'D)

Advertising and Interest Costs

All advertising and interest costs incurred during the years ended May 31, 2021 and 2020, have been expensed.

Property and Equipment

Property and equipment are reported at cost for purchased items and at fair value for contributed items. Depreciation is computed by the straight-line method based on estimated service lives established by the American Hospital Association. The Association's policy is to capitalize assets whose expected life is in excess of one year and cost (or fair value) is above a threshold established by the Board. Equipment acquired under capital lease is amortized on the straight-line method over the shorter of the lease term or the estimated useful life of the equipment. Normal repairs and maintenance are expensed, whereas significant improvements which materially increase values or extend useful lives are capitalized and depreciated. Upon sale or retirement, the related cost and accumulated depreciation of capitalized assets are removed from the accounts. Any gain or loss on the sale or retirement is recognized in current operations.

Gifts of long-lived assets such as land, buildings, or equipment are reported as unrestricted support, and are excluded from the change in net assets, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted contributions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service. The net assets with donor restrictions are reclassified to net assets without donor restrictions at that time.

Inventory

Inventory is valued at cost (first-in, first-out method), which approximates market.

Charity Care

The Association provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Association does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

See independent auditor's report.

CLAY-BATTELLE HEALTH SERVICES ASSOCIATION NOTES TO FINANCIAL STATEMENTS (CONTD)

Donor Restrictions

Unconditional promises to give cash and other assets to the Association are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received. The gifts are reported as donor restricted if they are received with donor stipulations that limit the use of the donated assets. 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 operations as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the accompanying financial statements.

Concentration of Credit Risk

The Association generates a substantial portion of its patient service revenue from services to Medicaid and Medicare beneficiaries. Changes in payment rates or methodologies by those programs could, therefore, significantly impact operations. Patient service revenue is primarily limited to services provided to residents in the Monongalia and Wetzel Counties, West Virginia. General economic conditions in the area significantly influence the Association's ability to collect fees for services rendered. The Association maintains its cash in bank deposit accounts and certificates of deposit at quality financial institutions. The balances, at times, may exceed federally insured limits. At May 31, 2021 and 2020, the balances exceeded the federally insured limit by approximately \$1,019,020 and \$288,000 respectively.

Net Patient Service Revenue

The Association has agreements with third-party payors that provide for payments to the Association at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. The Association has included in net patient service revenues adjustments of approximately \$17,573 and \$9,468 for the years ended May 31, 2021 and 2020, respectively, related to its estimates of the ultimate settlement under these third-party arrangements.

See independent auditor's report.

CLAY-BATTELLE HEALTH SERVICES ASSOCIATION

NOTES TO FINANCIAL STATEMENTS (CONTD)

Income Taxes

The Association is exempt from federal and state income taxes under section 501(c)(3) of the Internal Revenue Code. All required federal business income tax returns for the Associations have been filed up to, and including, the tax year ended May 31, 2021. The Association's federal income tax returns for 2021, 2020, and 2019 remain subject to examination by the Internal Revenue Service ("IRS").

Accounting Pronouncements Adopted

In 2021, the Association adopted the provisions of FASB ASU 2016-18, *Statement of Cash Flows (Topic 230)*. This ASU requires that a statement of cash flows explain the change during the period in the total cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the consolidated statement of cash flows. The amendments in the ASU do not provide a definition of restricted cash or restricted cash equivalents. The Association has applied the provisions of ASU 2016-18 retrospectively to all periods presented with no effect on net assets or previously issued financial statements.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The core principle of this new guidance is that "an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services." During August 2015, FASB further amended this guidance and issued ASU No. 2015-14, *Revenue from Contracts with Customers*. These new standards address the timing of reporting revenues from contracts with customers and related disclosures. In 2020, the FASB delayed the effective date for nonpublic companies and not-for-profit organizations that have not yet applied the revenue recognition standard to do so for annual reporting periods beginning after December 15, 2019. The adoption of this standard did not have a material effect on the Association's financial statements.

See independent auditor's report.

CLAY-BATTELLE HEALTH SERVICES ASSOCIATION
NOTES TO FINANCIAL STATEMENTS (CONT'D)

Recently Issued Accounting Standards

The following accounting pronouncements were recently issued by the FASB:

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. This ASU requires that a lease liability and related right-of-use-asset representing the lessee's right to use or control the asset be recorded on the consolidated statement of financial position upon the commencement of all leases except for short-term leases. Leases will be classified as either finance leases or operating leases, which are substantially similar to the classification criteria for distinguishing between capital leases and operating in existing lease accounting guidance. As a result, the effect of leases in the consolidated statement of activities and changes in net assets and the consolidated statement of cash flows will be substantially unchanged from the existing lease accounting guidance. In 2020, the FASB delayed the effective date for nonpublic entities to fiscal years beginning after December 15, 2021. Early adoption is permitted. The Association is currently evaluating the full effect that the adoption of this standard will have on the financial statements.

2. Liquidity and Availability of Resources

The Association structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Association's financial assets available to meet cash need for general expenditures within one year of May 31, are as follows:

	2021	2020
Cash and equivalents	\$ 1,709,556	\$ 979,179
Accounts receivable, net	130,039	64,259
Settlements due from third-party payors	11,000	11,000
Grants receivable	10,924	323,316
Other assets	<u>187,527</u>	<u>95,348</u>
Total	<u>\$ 2,049,046</u>	<u>\$ 1,473,102</u>

See independent auditor's report.

**CLAY-BATTELLE HEALTH SERVICES ASSOCIATION
NOTES TO FINANCIAL STATEMENTS (CONTD)**

3. Accounts Receivable

Accounts receivable and the allowance for contractual allowances, and uncollectable accounts consist of the following at May 31,:

	2021	2020
Gross patient receivable	\$ 197,039	\$ 131,259
Less: Allowance for uncollectible accounts	(32,000)	(32,000)
Allowance for contractual adjustments	<u>(35,000)</u>	<u>(35,000)</u>
Accounts receivable, net	<u>\$ 130,039</u>	<u>\$ 64,259</u>

4. Prepaid Assets

Prepaid assets consist of the following at May 31,:

	2021	2020
Software maintenance contracts, licenses and deposits	\$ 8,682	\$ 5,340
Insurance	14,398	9,666
Unamortized loan fees	<u>3,932</u>	<u>4,190</u>
	<u>\$ 27,012</u>	<u>\$ 19,196</u>

See independent auditor's report.

**CLAY-BATTELLE HEALTH SERVICES ASSOCIATION
NOTES TO FINANCIAL STATEMENTS (CONTD)**

5. Land, Buildings and Equipment

The following is a summary of land, buildings, and equipment at May 31,:

	2021	2020
Land and improvements	\$ 230,862	\$ 230,862
Buildings and improvements	1,105,216	1,105,216
Equipment and furniture	<u>735,114</u>	<u>735,114</u>
	2,071,192	2,071,192
Less: Accumulated depreciation	<u>(1,392,063)</u>	<u>(1,322,986)</u>
Land, buildings, and equipment in service, net	679,129	748,206
Construction in process	<u>111,458</u>	<u>105,328</u>
Land, buildings, and equipment, net	<u>\$ 790,587</u>	<u>\$ 853,534</u>

Depreciation expense was \$69,077 and \$72,989 for the year ended May 31, 2021 and 2020, respectively.

6. Notes Payable

Notes payable consisted of the following at May 31,:

	2021	2020
Truist Bank, Paycheck Protection Program (PPP) Loan. See Note 7 for additional information.	\$ -	\$ 173,300
WesBanco Bank, payable in monthly installments of \$3,701, including interest at an adjustable rate (currently at 4.9%), through October 2023. Secured by deed of trust and other assets of the entity.	94,280	136,150
WesBanco Bank, payable in monthly installments of \$1,604 including interest at an adjustable rate (currently at 4.15%), through September 2036. Secured by deed of trust.	<u>217,190</u>	<u>227,081</u>
	311,470	536,531
Less: current maturities	<u>(51,135)</u>	<u>(108,916)</u>
Long-term debt, excluding current maturities	<u>\$ 260,335</u>	<u>\$ 427,615</u>

See independent auditor's report.

**CLAY-BATTELLE HEALTH SERVICES ASSOCIATION
NOTES TO FINANCIAL STATEMENTS (CONTD)**

Future Maturities for years ending May 31, are as follows:

2022		\$ 51,135
2023		53,424
2024		25,768
2025		11,797
2026		12,296
Thereafter		<u>157,050</u>
		<u><u>\$ 311,470</u></u>

7. Paycheck Protection Program

On May 7, 2020, the Association received loan proceeds in the amount of \$173,300 under the Paycheck Protection Program (PPP) under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). The proceeds from the loan must be spent on qualifying expenses as allowed under the CARES Act. The allowable costs under the PPP include covered payroll costs, mortgage interest on real or personal property, rental obligations, and covered utility costs. Management believes the Association has used the loan proceeds in accordance with the requirements of the PPP and received notice of forgiveness in December 2020. As a result of substantially meeting the conditions of the program, the Association recognized the funds as other income on the May 31, 2021 Statement of Operations and changes in net assets.

8. Line of Credit

The Association had a \$50,000 line of credit with WesBanco Bank that was closed during the year ended May 31, 2020.

9. Accrued Other Liabilities

Accrued other liabilities consisted of the following at May 31,:

	2021	2020
Accrued payroll and related taxes and benefits	\$ 47,690	\$ 34,920
Accrued vacation	<u>20,834</u>	<u>20,834</u>
Total	<u><u>\$ 68,524</u></u>	<u><u>\$ 55,754</u></u>

See independent auditor's report.

**CLAY-BATTELLE HEALTH SERVICES ASSOCIATION
NOTES TO FINANCIAL STATEMENTS (CONTD)**

10. Patient Service Revenues (Net of Contractual Allowances and Discounts)

The following is a summary of patient service revenues (net of contractual allowances and discounts) for the year ended May 31,:

	2021	2020
Medical Charges	\$ 1,998,808	\$ 1,999,262
Dental Charges	<u>443,667</u>	<u>433,824</u>
General patient revenue	2,442,475	2,433,086
Less: Provision for charity care	<u>(169,545)</u>	<u>(173,480)</u>
Gross patient service revenue	2,272,930	2,259,606
Less: Contractual Allowances	<u>(726,221)</u>	<u>(783,447)</u>
Patient service revenues (net of contractual allowances and discounts)	<u>\$ 1,546,709</u>	<u>\$ 1,476,159</u>

11. Department of Health and Human Services (HHS) Provider Relief Fund (PRF)

Beginning on April 10, 2020, the Association received funding during the fiscal year ended May 31, 2021 and 2020 in the amount of \$30,756 and \$137,057 from the Provider Relief Fund of the U.S. Department of Health and Human Services (HHS). The Association was eligible to receive these funds for expenses incurred due to COVID-19 and for lost revenues. Management believes that as of the fiscal year end of May 31, 2021, the Association has met the reporting requirements in the amount of \$167,813. As a result, the Association has recognized this support as Provider Relief Funding in the amount of \$30,756 and \$137,057 for the fiscal year ending May 31, 2021 and 2020 on the Statement of Operations and changes in net assets.

The Assistance Listing number for this specific federal program is AL #93.498 Provider Relief Fund (PRF).

As of July 2021, based on the payment received period for these funds, the Association will have subsequent reporting requirements after May 31, 2021.

See independent auditor's report.

**CLAY-BATTELLE HEALTH SERVICES ASSOCIATION
NOTES TO FINANCIAL STATEMENTS (CONTD)**

12. Operating Lease

The Association operates a satellite facility in Wetzel County, West Virginia, in facilities that are leased for \$100 per month. Estimated fair market values for the rental of these facilities are \$600 per month. The difference between the estimated fair market values and actual rent has been included in the financial statements as other revenue and rent expense. The Association also entered into a lease agreement as part of the Pharmacy Contract (see Note 13).

13. Pharmacy Contract

The Association entered into an agreement with Tri-County Health Clinic, Inc. (Tri-County) to open and maintain a 340B Pharmacy to serve the patients of Clay-Battelle Health Services Association as well as other residents of the surrounding area. The pharmacy contract can be terminated by either party without cause or penalty by providing at least six month's written notice.

Under this contract, the Association and Tri-County share equal responsibility for all costs and revenues associated with opening and operating the pharmacy. Tri-County owns and maintains the pharmacy operations. The Association purchases the 340B pharmacy inventory and is recorded as inventory on the balance sheet of the Association. The Association entered into a 10 year lease for the location of the pharmacy for \$1,200 per month as part of the contract. Upon termination of the pharmacy by either party, the association would be liable for six months of rent payments totaling \$7,200.

The pharmacy opened in October 2008. For the years ended May 31, 2021 and 2020, the Association's income from the pharmacy contract was \$220,103 and \$205,291, respectively. The related asset of \$187,527 at May 31, 2021, and \$95,348 at May 31, 2020, is included in other assets on the balance sheet.

See independent auditor's report.

**CLAY-BATTELLE HEALTH SERVICES ASSOCIATION
NOTES TO FINANCIAL STATEMENTS (CONTD)**

14. Functional Expenses

The Association provides general health care services to residents within its geographic location. Expenses related to providing these services are as follows:

	<u>Health Care Services</u>	<u>2021 General and Administrative</u>	<u>Total</u>
Salaries and wages	\$ 1,267,710	\$ 269,026	\$ 1,536,736
Employee benefits	331,670	192,699	524,369
Donated drugs and supplies	21,022	-	21,022
Supplies	186,822	46,031	232,853
Utilities and telephone	70,020	12,012	82,032
Depreciation and amortization	59,819	9,516	69,335
Billing service provider fees	-	86,337	86,337
Professional services	-	95,568	95,568
Repairs and maintenance	11,799	86,250	98,049
Interest	-	17,209	17,209
Insurance	21,978	18,182	40,160
Advertising	-	42,597	42,597
Rent	7,200	11,602	18,802
Continuing education	4,360	-	4,360
Other expenses	<u>53,646</u>	<u>30,867</u>	<u>84,513</u>
Total	<u>\$ 2,036,046</u>	<u>\$ 917,896</u>	<u>\$ 2,953,942</u>

See independent auditor's report.

**CLAY-BATTELLE HEALTH SERVICES ASSOCIATION
NOTES TO FINANCIAL STATEMENTS (CONTD)**

	<u>Health Care</u>	<u>2020</u> <u>General and</u>	
	<u>Services</u>	<u>Administrative</u>	<u>Total</u>
Salaries and wages	\$ 1,314,486	\$ 276,359	\$ 1,590,845
Employee benefits	406,785	136,610	543,395
Donated drugs and supplies	13,962	-	13,962
Supplies	169,667	35,373	205,040
Utilities and telephone	53,121	6,712	59,833
Depreciation and amortization	62,378	10,868	73,246
Billing service provider fees	-	122,193	122,193
Professional services	-	116,091	116,091
Repairs and maintenance	23,948	86,770	110,718
Interest	-	17,396	17,396
Insurance	17,758	24,273	42,031
Advertising	-	14,732	14,732
Rent	7,200	12,442	19,642
Continuing education	4,512	-	4,512
Other expenses	<u>17,044</u>	<u>68,423</u>	<u>85,467</u>
 Total	 <u>\$ 2,090,861</u>	 <u>\$ 928,242</u>	 <u>\$ 3,019,103</u>

The financial statements report certain expenses that are attributable to health care services and general and administrative support. Therefore, these expenses require an allocation on a reasonable basis that is consistently applied. Costs not directly attributable to a function are allocated to a function based on either a square footage basis or on a percent of salaries and wages basis, depending on which is applicable.

15. Malpractice Insurance

The Association's employees are covered by the Federal Tort Claims Act, and therefore, no separate professional liability insurance is carried by the Company. 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 of FQHC's when performing covered services at covered facilities.

See independent auditor's report.

CLAY-BATTELLE HEALTH SERVICES ASSOCIATION
NOTES TO FINANCIAL STATEMENTS (CONTD)

16. Prior Period Restatement of Net Assets

The net assets as of May 31, 2020 were restated as follows:

Ending Net Assets – May 31, 2020	\$ 1,712,944
Less: Overstatement of Accounts Receivable and patient service revenues	<u>(11,438)</u>
Ending Net Assets – restated	<u>\$ 1,701,506</u>

17. COVID-19 Pandemic

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of coronavirus include restrictions on travel, quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate the spread of it have had and are expected to continue to have an adverse impact on the economies and financial markets of many counties, including the geographical area in which the Association operates.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was enacted. The CARES Act provided federal stimulus dollars to assist state agencies, local school districts, businesses, organizations, families, students, and other entities during the COVID-19 pandemic. The payments received to date or which the Association may receive in the future, will be beneficial in addressing the impact of the COVID-19 pandemic on its results of operations and financial position. The extent of the impact of COVID-19 on the Association's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on the Association's patients, financial markets, employees, and vendors. Given the uncertainty regarding the spread of this coronavirus, the related financial impact on the Association's results of operations and financial position cannot be reasonably estimated at this time and have not been reflected in the financial statements.

18. Subsequent Events

The Association's management evaluated the effect subsequent events would have on the financial statements through October 22, 2021, which is the date the financial statements were available to be issued.

See independent auditor's report.

**CLAY-BATTELLE HEALTH SERVICES ASSOCIATION
NOTES TO FINANCIAL STATEMENTS (CONTD)**

19. Charity Care

The amount of estimated charity care costs for the years ended May 31, 2021 and 2020, totaled \$205,000 and \$215,000 respectively. The estimated costs were calculated based upon a ratio of cost to gross charges, and then multiplying that ratio by the gross uncompensated care charges associated with providing care to charity patients.

See independent auditor's report.



Tetrick & Bartlett, PLLC

**Certified Public Accountants
Consultants**

**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***

To the Board of Directors of
Clay-Battelle Health Services Association
Blacksville, 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 Clay-Battelle Health Services Association (a nonprofit organization), which comprise the balance sheet as of May 31, 2021, and the related statements of operations, and 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 October 22, 2021.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a material weakness as item #2021-001.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Clay-Battelle Health Services Association'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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

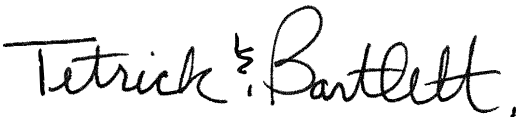
We noted a certain other matter that we reported to management of Clay-Battelle Health Services Association in a separate letter dated October 22, 2021.

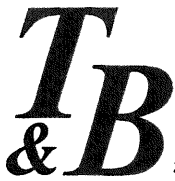
Clay-Battelle Health Services Association's Response to Findings

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

Purpose of this Report

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


Clarksburg, West Virginia
October 22, 2021
PLLC



Tetrick & Bartlett, PLLC

**Certified Public Accountants
Consultants**

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

To the Board of Directors of
Clay-Battelle Health Services Association
Blacksville, West Virginia

Report on Compliance for Each Major Federal Program

We have audited Clay-Battelle Health Services Association's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Clay-Battelle Health Services Association's major federal programs for the year ended May 31, 2021. Clay-Battelle Health Services Association's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Clay-Battelle Health Services Association's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about

whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Clay-Battelle Health Services Association'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 Clay-Battelle Health Services Association's compliance.

Opinion on Each Major Federal Program

In our opinion, Clay-Battelle Health Services Association 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 May 31, 2021.

Report on Internal Control over Compliance

Management of Clay-Battelle Health Services Association 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 Clay-Battelle Health Services Association'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 our 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 Clay-Battelle Health Services Association'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.

Tetrick & Bartlett,
Clarksburg, West Virginia
October 22, 2021
PLLC

**CLAY-BATTELLE HEALTH SERVICES ASSOCIATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED MAY 31, 2021**

A. Summary of Auditor's Results

Financial Statements

Type of auditors' report issued: Unmodified Opinion

Internal control over financial reporting:

Material weakness(es) identified? Yes

Significant deficiency(ies) identified not considered
to be material weaknesses? None Reported

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? No

Significant deficiency(ies) identified that are not
considered to be material weaknesses? None Reported

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

Any audit findings that are required to be reported
in accordance with 2 CFR Section 200.516(a)
are reported in this schedule? No

Identification of major programs:

U.S. Department of Health and Human Services

Health Center Program Cluster:

Health Center Program (Community Health Centers,
Migrant Health Centers, Health Care for the Homeless,
and Public Housing Primary Care)

AL #93.224

Grants for New and Expanded Services Under the Health
Center Program

AL #93.527

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

Auditee qualified as low-risk auditee? Yes

CLAY-BATTELLE HEALTH SERVICES ASSOCIATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)
FOR THE YEAR ENDED MAY 31, 2021

B. Findings – Financial Statements Audit

Questioned
Costs

#2021-001 Timely Submission of 403B Retirement Withholdings

Condition: It was determined during our testing procedures that the Clay-Battelle Health Services Association did not always submit its 403B Retirement Withholdings to the plan in a timely manner.

Criteria: Internal controls should be implemented to the degree possible to ensure that all 403B Retirement Withholdings, and all other payroll reports and related payments are submitted in a timely manner, as required.

Cause: Failure to submit all 403B Retirement Withholdings reports and related payments resulted in payments not being submitted timely.

Effect: As a result of the failure to require all 403B Retirement Withholdings reports and related payments to be submitted in a timely manner, the Clay-Battelle Health Services Association could incur additional costs of interest and penalties.

Identification of Repeat Findings, if Applicable: This finding was not a prior year finding.

Recommendation: We recommended that the Clay-Battelle Health Services Association take the necessary steps to implement procedures to require that all 403B Retirement Withholdings reports and related payments are submitted in a timely manner, as required.

Views of Responsible Officials and Planned Corrective Action: The Clay-Battelle Health Services Association's management will take the necessary steps to ensure that all 403B Retirement Withholdings reports and related payments are submitted in a timely manner, as required.

Total Questioned Costs

\$ -0-

C. Findings and Questioned Costs - Major Federal Award Programs Audit

None

**CLAY-BATTELLE HEALTH SERVICES ASSOCIATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED MAY 31, 2021**

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal Assistance Listing Number (AL)</u>	<u>Pass-Through Grantor and Identifying Number</u>	<u>Total Federal Expenditures</u>
U.S. Department of Health and Human Services			
<i>Health Center Program Cluster:</i>			
Grants for New and Expanded Services Under the Health Center Program	93.527	6 H80CS00616-19-03	\$ 10,219
Grants for New and Expanded Services Under the Health Center Program	93.527	5 H80CS00616-19-00	<u>1,021,497</u>
Total Federal Expenditures AL #93.527			<u>1,031,716</u>
Health Center Program (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care)	93.224	5 H80CS00616-19-00	240,320
COVID-19 Health Center Program (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care)	93.224	1 H8DCS35840-01-00	378,535
COVID-19 Health Center Program (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care)	93.224	1 H8ECS37751-01-00	<u>25,507</u>
Total Federal Expenditures AL #93.224			<u>644,362</u>
<i>Total Health Center Program Cluster</i>			<u>1,676,078</u>
Total U.S. Department of Health and Human Services			\$ <u>1,676,078</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ <u>1,676,078</u>

See accompanying notes to the schedule of expenditures of federal awards and independent auditor's report.

**CLAY-BATTELLE HEALTH SERVICES ASSOCIATION
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED MAY 31, 2021**

A. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the Association under programs of the federal government for the year ended May 31, 2021. 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 Clay-Battelle Health Services Association, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Clay-Battelle Health Services Association

B. Summary of Significant Accounting Policies

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

C. Indirect Cost Rate

Clay-Battelle Health Services Association has elected not to use the 10 percent de minimus indirect cost rate as allowed under the Uniform Guidance.

D. Pass-through to Subrecipients

There were no awards passed through to subrecipients.

E. Assistance Listing (Catalog of Federal Domestic Assistance (CFDA))

Assistance Listing (AL) has replaced the Catalog of Federal Domestic Assistance (CFDA) for identifying federal programs.

See independent auditor's report.



Clay-Battelle
Health Services
Association



■ PO Box 72, Blacksville, WV 26521 ■ 304.432.8211 ■ Fax 304.432-8213 ■ 60 May Lane, Suite 102, Burton, WV 26562 ■ 304.775.4671 ■ 304.775.4202

October 22, 2021

CORRECTIVE ACTION PLAN

U.S. Department of Health and Human Services

Clay-Battelle Health Services Association respectfully submits the following corrective action plan for the year ended May 31, 2021.

Name and address of independent public accounting firm: Tetrick & Bartlett, PLLC, P.O. Box 1916, Clarksburg, WV 26302-1916.

Audit period: June 1, 2020 through May 31, 2021.

The findings from the May 31, 2021 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

B. Findings - Financial Statement Audit

#2021-001 Timely Submission of 403B Retirement Withholdings

Recommendation: We recommended that the Clay-Battelle Health Services Association take the necessary steps to implement procedures to require that all 403B Retirement Withholdings reports and related payments are submitted in a timely manner, as required.

Action Taken: The Clay-Battelle Health Services Association's management has taken the necessary steps to ensure that all 403B Retirement Withholdings reports and related payments are submitted in a timely manner, as required.

Rebecca Thomas, Chief Executive Officer is responsible for implementing these procedures by October 31, 2021.

C. Findings and Questioned Costs – Major Federal Award Programs Audit

None

If the U.S. Department of Health and Human Services has questions regarding this plan, please contact Rebecca Thomas, Chief Executive Officer at (304) 432-8211.

Sincerely yours,

A handwritten signature in cursive script that reads "Rebecca J. Thomas".

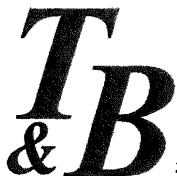
Rebecca Thomas, Chief Executive Officer
Clay-Battelle Health Services Association

**CLAY-BATTELLE HEALTH SERVICES ASSOCIATION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED MAY 31, 2021**

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Reference Number:

There were no Findings and Questioned Costs for the prior audit period of June 1, 2020 to May 31, 2021 that are required to be reported.



Tetrick & Bartlett, PLLC

**Certified Public Accountants
Consultants**

To the Board of Directors
Clay-Battelle Health Services Association
Blacksville, West Virginia

In planning and performing our audit of the financial statements of the Clay-Battelle Health Services Association for the year ended May 31, 2021, in accordance with auditing standards generally accepted in the United States of America, we considered the Association's internal control over financial reporting (internal control) as a basis for designing our auditing procedures 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 Association's internal control. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control.

However, during our audit, we became aware of a matter that is an opportunity for strengthening internal controls and operating efficiency. (We previously reported on the Association's internal control in our report dated October 22, 2021.) This letter does not affect our report dated October 22, 2021, on the financial statements of the Clay-Battelle Health Services Association

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with Association personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. Our comments are summarized as follows:

Dual Signature Policy Consideration

We noted during our tests of cash disbursements that all 34 checks issued and tested contained only 1 authorized signature due to the current policy requiring dual signatures over \$5,000 or more.

We recommend that the Clay-Battelle Health Services Association review its policy requiring dual signatures on checks written for \$5,000 or more and its current internal controls to ensure that the policy in effect maintains the internal control structure that the Board of Directors has designed, developed, established and implemented. Additionally, we recommend that the Board of Directors consider the number of transactions that require only one authorized signature.


Missing Daily Cash Deposit and Daily Deposit Documentation

We noted during our audit procedures and in discussion with management of Clay-Battelle Health Services Association that all documentation for one daily deposit could not be found. This included the cash box reconciliation tally sheet, any printed transactions and verification of cash, check, and credit payments together with a deposit in the amount of \$80.

Subsequently, it was noted that the Clay-Battelle Health Services Association's management reviewed the daily deposit process and implemented additional internal control procedures to include a daily chain of custody signature form and a security camera.

We recommend that the Clay-Battelle Health Services Association's management continue exercising due diligence in providing oversight and review functions in relation to the Association's operations.

This report is intended solely for the information and use of the Board Members, management, and others within the Association, and is not intended to be, and should not be, used by anyone other than these specified parties.


Clarksburg, West Virginia
October 22, 2021