WOMENCARE, INC.
d/b/a

FamilyCare
HEALTH CENTERS

FINANCIAL AND COMPLIANCE REPORT

JUNE 30, 2018 AND 2017

GRAY GRIFFITH & MAYS a.c.
CERTIFIED PUBLIC ACCOUNTANTS

WOMENCARE, INC. DBA FAMILYCARE HEALTH CENTERS

FINANCIAL STATEMENTS AND COMPLIANCE REPORT
June 30, 2018 and 2017

TABLE OF CONTENTS

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CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Womencare, Inc. dba FamilyCare Health Centers
Scott Depot, West Virginia

We have audited the accompanying financial statements of Womencare, Inc. dba FamilyCare Health Centers, which comprise the balance sheets as of June 30, 2018 and 2017, 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 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 Womencare, Inc. dba FamilyCare Health Centers as of June 30, 2018 and 2017, and the results of its operations, changes in its net assets, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Supplementary information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of Federal awards for the year ended June 30, 2018 is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and is not a required part of the financial statements. Also, the accompanying schedule of state awards for the year ended June 30, 2018, 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 in the accompanying supplementary schedules is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 26, 2018 on our consideration of FamilyCare'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 for the year ended June 30, 2018. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering FamilyCare's internal control over financial reporting and compliance.

Gray, Griffith & Mays, a.c.

Charleston, West Virginia
November 26, 2018

DHHR - Finance

DEC 12 2018

Date Received

WOMENCARE, INC. DBA FAMILYCARE HEALTH CENTERS

BALANCE SHEETS
June 30, 2018 and 2017

	2018	2017
ASSETS		
Current assets:		
Cash and cash equivalents	1,166,926	1,675,125
Assets whose use is limited	324,454	286,918
Patient accounts receivable, net of allowances for contractual adjustments and doubtful accounts of $1,429,185 for 2018 and $828,337 for 2017	2,447,008	1,298,426
Grant receivable	-	46,622
Other receivables	485,011	50,111
Due from third-party payors	195,000	165,000
Prepaid expenses and other current assets	123,986	133,520
Total current assets	4,742,385	3,655,722
Property and equipment:		
Land	69,050	69,050
Building and improvements	5,166,649	5,075,396
Furniture and equipment	2,133,296	2,067,046
Total property and equipment	7,368,995	7,211,492
Less accumulated depreciation	5,165,038	4,756,984
	2,203,957	2,454,508
Other assets	10,000	10,000
Total assets	$ 6,956,342	$ 6,120,230
LIABILITIES AND NET ASSETS		
Current liabilities:		
Current portion of notes payable	$ 172,646	$ 94,741
Accounts payable	572,375	424,932
Accrued expenses	1,093,513	884,049
Due to third-party payors	-	43,321
Deferred revenue	133,700	135,456
Total current liabilities	1,972,234	1,582,499
Notes payable, less current portion	1,152,943	875,035
Total liabilities	3,125,177	2,457,534
Net assets, unrestricted	3,831,165	3,662,696
Total liabilities and net assets	$ 6,956,342	$ 6,120,230

The accompanying notes are an integral part of these financial statements.

WOMENCARE, INC. DBA FAMILYCARE HEALTH CENTERS

STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS
Years Ended June 30, 2018 and 2017

	2018	2017
Revenues and support:		
Patient service revenues, net of contractual allowances and discounts	$ 16,870,429	$ 14,975,106
Provision for bad debts	(1,005,362)	(611,121)
Net patient services revenue	15,865,067	14,363,985
Grant revenues	3,967,098	3,388,335
Electronic health record incentive reimbursement	212,500	403,544
Other	2,584,304	2,214,827
Total revenues and support	22,628,969	20,370,691
Expenses:		
Salaries and wages	13,063,082	11,362,241
Employee benefits	2,843,894	2,383,971
Professional fees	1,945,051	1,866,121
Facility rent and utilities	1,314,952	1,205,729
Supplies	1,749,643	1,583,423
Depreciation and amortization	408,068	514,328
Repairs and maintenance	118,706	104,173
Insurance	34,277	32,128
Interest	40,860	45,782
Other	941,967	885,528
Total expenses	22,460,500	19,983,424
Excess of revenue over expenses	168,469	387,267
Unrestricted net assets at beginning of year	3,662,696	3,275,429
Unrestricted net assets at end of year	$ 3,831,165	$ 3,662,696

The accompanying notes are an integral part of these financial statements.

WOMENCARE, INC. DBA FAMILYCARE HEALTH CENTERS

STATEMENTS OF CASH FLOWS
Years Ended June 30, 2018 and 2017

	2018	2017
Cash flows from operating activities:		
Increase in unrestricted net assets	$ 168,469	$ 387,267
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	408,068	514,328
Provision for bad debts	1,005,362	611,121
(Increase) decrease in:		
Patient accounts receivable	(2,153,944)	(670,159)
Grants receivable	46,622	149,513
Other receivable	(434,900)	137,552
Due from third-party payors	(73,321)	(162,964)
Prepaid expenses and other assets	9,534	78,705
Increase (decrease) in:		
Accounts payable	147,443	19,087
Accrued expenses	209,464	88,298
Deferred revenue	(1,756)	133,956
Net cash (used in) provided by operating activities	(668,959)	1,286,704
Cash flows used in investing activities:		
Net change in assets whose use is limited	(37,536)	(75,361)
Property and equipment acquisitions	(157,517)	(91,868)
Net cash used in investing activities	(195,053)	(167,229)
Cash flows from financing activities:		
Proceeds from acquisition of long-term debt	450,250	-
Payments on long-term debt	(94,437)	(90,269)
Net cash provided by (used in) financing activities	355,813	(90,269)
Net (decrease) increase in cash and cash equivalents	(508,199)	1,029,206
Cash and cash equivalents, beginning	1,675,125	645,919
Cash and cash equivalents, ending	$ 1,166,926	$ 1,675,125
Supplemental information:		
Cash paid for interest	$ 40,860	$ 45,782

The accompanying notes are an integral part of these financial statements.

1 – DESCRIPTION OF ORGANIZATION

Womencare, Inc. dba FamilyCare Health Centers (FamilyCare) is a nonstock, nonprofit corporation organized under the laws of the State of West Virginia. FamilyCare, a Federally Qualified Health Center (FQHC), provides quality, cost effective family and pediatric health care focusing on women's health to patients living primarily in Kanawha County, Putnam County, Boone County, Cabell County, and the surrounding communities in West Virginia.

2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of significant accounting policies follows:

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

Cash and cash equivalents: Cash and cash equivalents, including certain amounts designated by the Board, include short-term, highly liquid investments both readily convertible to known amounts of cash and so near maturity at acquisition (three months or less) that there is an insignificant risk of change in value because of changes in interest rates. Cash equivalents are stated at cost, which approximates fair value.

Patient receivables: Patient receivables are reported at estimated net realizable amounts from patients and responsible third-party payors. Amounts owed to FamilyCare are reported net of allowances. Allowances include estimates of contractual adjustments and bad debts. Specific patient balances are written off at the time they are determined to be uncollectible. The process for estimating the ultimate collection of receivables involves significant assumptions and judgments. In this regard, FamilyCare has implemented a standardized approach to estimate and review the collectability of its receivables based on accounts receivable aging trends. Historical collection and payor reimbursement experience are an integral part of the estimation process related to determining allowances for contractual allowances and doubtful accounts. In addition, FamilyCare assesses the current state of its billing functions in order to identify any known collection or reimbursement issues to determine the impact, if any, on its reserve estimates, which involve judgment. Revisions in reserve estimates are recorded as an adjustment to net patient service revenue or the provision for doubtful accounts in the period of revision. FamilyCare believes that its collection and reserve processes, along with the monitoring of its billing processes, help to reduce the risk associated with material revisions to reserve estimates resulting from adverse changes in collection, reimbursement experience and billing functions. Interest is not charged on patient accounts receivable.

Property and equipment: Property and equipment is reported at cost for purchased items and fair value, at the date of donation, for contributed items. Depreciation is provided over the estimated useful life, based on American Hospital Association guidelines, of each depreciable asset and is computed using the straight-line method. FamilyCare's policy is to capitalize and depreciate all fixed assets with a cost at or above a limit determined by the Board of Directors with an estimated useful life of greater than one year.

Contributions of long-lived assets such as land, buildings, or equipment are reported as unrestricted support, and are excluded from the excess of revenues over expenses, 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 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.

Temporarily and permanently restricted net assets: Unrestricted net assets are those whose use by FamilyCare is not subject to donor-imposed stipulations. Temporarily restricted net assets are those whose use by FamilyCare has been limited by donors to a specific time, period or purpose. Permanently restricted net assets are those restricted by donors to be maintained by FamilyCare in perpetuity. At June 30, 2018 and 2017, FamilyCare had no temporarily or permanently restricted net assets.

Revenue recognition: FamilyCare has agreements with third-party payors that provide for payments to FamilyCare at amounts different from its established rates. Payment arrangements include prospectively determined rates per encounter, reimbursed costs, and discounted charges. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including 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. Revenues are based on medical services provided. These revenues are based, in part, on cost reimbursement principles and are subject to audit and retroactive adjustments, if any, and could be material to the financial position or results of operations of FamilyCare.

On May 2, 2014, Centers for Medicare and Medicaid Services (CMS) published a final rule establishing a prospective payment system (PPS) for federally qualified health centers (FQHCs). As a result of this rule, PPS reimbursement will be mandated for FQHCs effective for Medicare cost reporting periods beginning on or after October 1, 2014.

The final rule implements a bundled encounter-based (per diem) payment methodology designed to approximate national aggregate FQHC per diem reasonable costs. Notably, this payment methodology does not adopt current FQHC upper payment limits.

Grant revenue: Funding for general operations of FamilyCare for the years ended June 30, 2018 and 2017 was obtained, in part, from grants from the U.S. Department of Health and Human Services, the West Virginia Department of Health and Human Resources, and various other grantors. The grant period varied with each individual grant.

Grant revenue resulting from exchange transactions is recognized when the related costs are incurred, except for the Federal Consolidated Health Centers Program and State Uncompensated Care grants, which is recognized ratably over the grant period. Deferred revenue consists of grant funds that FamilyCare has received but for which it has not incurred related expenses.

Contributions, grants and awards: All contributions, grants and awards are considered to be available for unrestricted use unless specifically restricted by the donor/grantor. Amounts received that are designated for future periods or restricted by the donor/grantor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. However, if a restriction is fulfilled in the same year in which the contribution, grant or award is received, FamilyCare reports the support as unrestricted.

Interest: All interest costs incurred during the years ended June 30, 2018 and 2017 have been expensed.

Advertising: All advertising costs have been expensed and were $89,191 and $75,187 for the years ended June 30, 2018 and 2017, respectively. Advertising costs are included in other operating expenses in the statements of operations.

Excess of revenues over expenses: The statement of operations includes excess of revenues over expenses and change in unrestricted net assets. Changes in unrestricted net assets which are excluded from the excess of revenues over expenses, consistent with industry practice and when existing, include unrealized gains and losses on investments other than trading securities, permanent transfers of assets to and from affiliates for other than goods and services, and grants for and contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purposes of acquiring such assets).

Income taxes: FamilyCare is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. FamilyCare is classified as other than a private foundation under Section 509(a)(2) and accordingly qualifies to receive charitable contributions deductible to donors under Section 170(b)(1)(A).

Accounting principles generally accepted in the United States of America require the management of FamilyCare to evaluate tax positions taken by FamilyCare. Management has evaluated FamilyCare's tax positions and concluded that FamilyCare had maintained its tax-exempt status and had taken no uncertain tax positions that require recognition or disclosure in the financial statements. Therefore, no provision or liability for income taxes has been included in the financial statements.

FamilyCare is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. FamilyCare believes is subject to income tax examinations generally for three years after the filing date.

Reclassifications: Certain prior year amounts have been reclassified for consistency with the current period presentation. These reclassifications had no effect on the reported results of operations.

New or Recent Accounting Pronouncements: In February 2016, the Financial Accounting Standards Board (FASB) issued guidance related to recognition by a lessee of assets and liabilities on leases with terms of more than 12 months on the balance sheet. Consistent with U.S. GAAP, the recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee primarily will depend on its classification as a finance or operating lease; however, unlike current U.S. GAAP, which requires that only capital leases be recognized on the balance sheet, this Accounting Standards Update (ASU) requires that both types of leases be recognized on the balance sheet. The ASU also requires disclosures to help financial statement users better understand the amount, timing, and uncertainty of cash flows arising from leases. These disclosures include qualitative and quantitative requirements, providing additional information about the amounts recorded in the financial statements. Lessor accounting remains largely unchanged from current U.S. GAAP, but the ASU contains some targeted improvements that are intended to align, where necessary, lessor accounting with the lessee accounting model and with the updated revenue recognition guidance issued in May 2014. Transition guidance is provided within the ASU and generally requires a retrospective approach. This guidance is effective for public entities for fiscal years beginning after December 15, 2018 and for nonpublic entities for fiscal years beginning after December 15, 2019. Early application of the amendments in this guidance is permitted for all entities. Management is currently evaluating the impact, if any, that adoption will have on its financial statements.

In May 2014, the FASB issued guidance related to recognition of revenue from contracts with customers. This guidance requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers and requires certain qualitative and quantitative disclosures regarding revenue arising from contracts with customers. This Accounting Standards Update (ASU) will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. The guidance permits the use of either a retrospective or modified retrospective (cumulative effect) transition method. In August 2015, the FASB issued an amendment to defer the effective dates for all entities by one year. During 2016, the FASB has issued varied guidance with the purpose of clarifying this ASU. Such clarifications included: improving the operability and understandability of the implementation guidance on principal versus agent considerations; identifying performance obligations and also to improve the operability and understandability of the licensing implementation guidance; clarifying the objective of the collectability criterion for applying paragraph 606-10-25-7; permitting an entity to exclude amounts collected from customers for all sales (and other similar) taxes from the transaction price; specifying that the measurement date for noncash consideration is contract inception; providing a practical expedient that permits an entity to reflect the aggregate effect of all modifications that occur before the beginning of the earliest period presented when identifying the satisfied and unsatisfied performance obligations; determining the transaction price and allocating the transaction price to the satisfied and unsatisfied performance obligations; clarifying that a completed contract for purposes of transition is a contract for which all (or substantially all) of the revenue was recognized under legacy GAAP before the date of initial application; and clarifying that an entity that retrospectively applies the guidance in Topic 606 to each prior reporting period is not required to disclose the effect of the accounting change for the period of adoption. This guidance is effective for public entities with annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period. Early application is permitted only as of annual reporting periods beginning after December 15, 2016, including interim reporting periods within the reporting period. For all other entities (nonpublic entities), the amendments in these ASUs will be effective for annual reporting periods beginning after December 15, 2018, and interim periods within annual periods beginning after December 15, 2019. A nonpublic entity may elect to apply this guidance earlier, subject to certain limitations. Management is currently evaluating the impact, if any, that adoption will have on its financial statements. Management has not yet selected a transition method nor has the effect of this guidance on the FamilyCare's ongoing financial reporting been determined.

In August 2016, FASB issued guidance to address eight specific cash flow issues with the objective of reducing the existing diversity in the practice. This guidance indicates how certain cash receipts and cash payments are presented and classified in the statement of cash flows. (1) Cash payments for debt prepayment or debt extinguishment costs should be classified as cash outflows or financing activities. (2) At the settlement of zero-coupon debt instruments or other debt instruments with coupon interest rates that are insignificant in relation to the effective interest rate of the borrowing, the issuer should classify the portion of the cash payment attributable to the accreted interest related to the debt discount as cash outflows for operating activities, and the portion of the cash payment attributable to the principal as cash outflows for financing activities. (3) Cash payments not made soon after the acquisition of a business combination by an acquirer to settle a contingent consideration liability should be separated and classified as cash outflows for financing activities and operating activities. Cash payments up to the amount of the contingent consideration liability recognized at the acquisition date should be classified as financing activities; any excess should be classified as operating activities. Cash payments made soon after the acquisition date of a business combination by an acquirer to settle a contingent consideration liability should be classified as cash outflows for investing activities. (4) Cash proceeds received from the settlement of insurance claims should be classified on the basis of the related insurance coverage (that is, the nature of the loss). For insurance proceeds that are received in a lump-sum settlement, an entity should determine the classification on the basis of the nature of each loss included in the settlement. (5) Cash proceeds received from the settlement of corporate-owned life insurance policies should be classified as cash inflows from investing activities. The cash payments on premiums on corporate-owned policies may be classified as cash outflows for investing activities, operating activities, or a combination of investing and operating activities. (6) When a reporting entity applies the equity method, it should make an accounting policy election to classify distributions received from equity method investees using either the cumulative earnings approach or the nature of the distribution approach. This amendment does not address equity method investments measured using the fair value option. (7) A transferor's beneficial interest obtained in a securitization of financial assets should be disclosed as a noncash activity, and cash receipts from payments on a transferor's beneficial interests in securitized trade receivables should be classified as cash inflows from investing activities. (8) The classification of cash receipts and payments that have aspects of more than one class of cash flows should be determined first by applying specific guidance in generally accepted accounting principles (GAAP). In the absence of specific guidance, an entity should determine each separately identifiable source or use within the cash receipts and cash payments on the basis of the nature of the underlying cash flows. This guidance is effective for all public entities for fiscal years beginning after December 15, 2017. For all other entities, guidance is effective for fiscal years beginning after December 15, 2018. Early adoption is permitted. Management is currently evaluating the impact, if any, that adoption will have on FamilyCare's financial statements.

On August 18, 2016, the FASB issued Accounting Standards Update No. 2016-14 Not-for-Profit Entities (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 requirements of this ASU are effective for not-for-profit organizations for annual financial statements issued for fiscal years beginning after December 15, 2017, and for interim periods within fiscal years beginning after December 15, 2018. Application to interim financial statements is permitted but not required in the initial year of application. Early application of the amendments is permitted. Management is currently evaluating the impact, if any, that adoption will have on FamilyCare's financial statements.

Subsequent Events: Management of FamilyCare has evaluated the effect subsequent events would have on the financial statements through November 26, 2018 which is the date the financial statements were available to be issued.

3 – NET PATIENT SERVICE REVENUE AND CHARITY CARE

A summary of gross and net patient service revenue for all payors for the years ended June 30, 2018 and 2017 follows:

	2018	2017
Gross patient service revenue	$ 25,878,577	$ 22,697,119
Less provision for:		
Contractuals and other adjustments	8,367,585	7,186,441
Charity care (charges forgone based on established rates)	640,563	535,572
Bad debts	1,005,362	611,121
	$ 15,865,067	$ 14,363,985

Charity Care

FamilyCare maintains a written charity care plan for which the purpose is the provision of health services to individuals who have demonstrated the inability to pay for all or part of the services. Records are maintained to identify and monitor the level of charity care provided by FamilyCare. These records include the amount of regular charges foregone for services and supplies furnished under the charity care plan and the estimated cost of those services and supplies. FamilyCare's policy is not to pursue collection of amounts determined to qualify as charity care if the patient has an adjusted income equal to or below 200% of the Federal Poverty Income levels. A sliding scale discount is available for patients who meet the guidelines prescribed in the policy. Accordingly, FamilyCare does not report these amounts in the net revenues or in the allowance for doubtful accounts. Charity care services, as measured by gross charges foregone were $640,563 and $517,383 for the years ended June 30, 2018 and 2017, respectively. Of FamilyCare's total expenses reported for the years ended June 30, 2018 and 2017, an estimated $559,000 and $378,000, respectively, arose from providing services to qualified charity patients. The estimated costs of providing charity services are based on a calculation which applies a ratio of costs to charges to the gross uncompensated charges associated with providing care to charity patients. The ratio of cost to charges is calculated based on FamilyCare's total expenses, divided by gross patient service revenue. Funds received from gifts and grants to subsidize charity services provided for the years ended June 30, 2018 and 2017 were approximately $232,000 and $172,000, respectively.

Patient service revenue, net of contractual allowances and discounts (but before the provision for bad debts), recognized during the years ended June 30, 2018 and 2017, from these major payor sources, is as follows:

	2018		
	Third Party Payors	Self Pay	Total All Payors
Patient service revenue (net of contractual allowance and discounts)	$ 16,471,559	$ 398,870	$ 16,870,429

	2017		
	Third Party Payors	Self Pay	Total All Payors
Patient service revenue (net of contractual allowance and discounts)	$ 14,614,649	$ 360,457	$ 14,975,106

4 – ASSETS WHOSE USE IS LIMITED

The composition of assets whose use is limited at June 30, 2018 and 2017 is set forth in the following table. Investments are stated at fair value.

	2018	2017
Held by Trustee for employees health insurance claims:		
Cash and cash equivalents	$ 324,454	$ 286,918

5 – DUE FROM THIRD-PARTY PAYORS

FamilyCare is reimbursed by the Medicare and Medicaid programs based on cost reimbursement formulas. At June 30, 2018 and 2017, estimated cost reimbursement settlements are as follows:

	2018	2017
Medicare:		
June 30, 2017	$ -	$ 40,000
June 30, 2018	40,000	-
	40,000	40,000
Medicaid:		
June 30, 2014	35,000	35,000
June 30, 2015	30,000	30,000
June 30, 2016	30,000	(13,321)
June 30, 2017	30,000	30,000
June 30, 2018	30,000	-
	155,000	81,679
	$ 195,000	$ 121,679

The 2018 and 2017 net patient revenue decreased by approximately $50,716 and $14,632, respectively, as a result of settlements at amounts different than originally estimated.

6 – LINE-OF-CREDIT - BANK

FamilyCare has a $1,000,000 line of credit with Chase Bank. The line-of-credit has a variable interest rate of the LIBOR Rate plus 3.078 percentage points (5.42% at June 30, 2018). The amount of borrowing against the line was $0 at June 30, 2018 and 2017, respectively. Borrowings on the line of credit are secured by substantially all assets of FamilyCare. The lending arrangement matures in March 2019.

7 – LONG-TERM DEBT

Long-term debt at June 30, 2018 and 2017 consisted of the following:

	2018	2017
Note payable facility lessor; payable in monthly installments of $4,455, including interet of 5.00%, maturing August 2021, secured under FamilyCare's lease arrangement with the facility lessor.	$ 156,259	$ 200,691
Bank; payable in monthly installments of $8,605, including fixed interest of 5.40%. Secured by substantially all assets.	450,250	-
Bank; payable in monthly installments of $6,676, including fixed interest of 3.98%, and one last payment of $664,925 in September 2019. Secured by substantially all assets.	719,080	769,085
	1,325,589	969,776
Less current portion	(172,646)	(94,741)
Long-term debt	$ 1,152,943	$ 875,035

Aggregate maturities of long-term debt obligations at June 30, 2018, are as follows:

Year Ending June 30,	
2019	$ 172,646
2020	800,825
2021	141,310
2022	103,523
2023	99,910
Thereafter	7,375
	$ 1,325,589

WOMENCARE, INC. DBA FAMILYCARE HEALTH CENTERS

NOTES TO FINANCIAL STATEMENTS
June 30, 2018 and 2017

8 – GRANT REVENUE

The following is a summary of grant revenue for the years ended June 30, 2018 and 2017:

	2018	2017
U.S. Department of Health and Human Services:		
Consolidated Health Center Program Cluster	$ 3,506,080	$ 3,140,367
State Loan Repayment Program	-	10,000
Strong Start for Mothers and Newborns	6,000	2,500
West Virginia Department of Health and Human Resources:		
Uncompensated Care Grant	232,019	172,393
State Loan Repayment Program	-	10,000
American Association of Diabetes Educators Grant	40,575	40,575
The Greater Kanawha Valley Foundation Grant	168,374	2,500
WVU Colorectal Research Grant	2,750	10,000
Bendeum Grant	6,300	-
Domestic violence grant	5,000	-
Total grant revenue	$ 3,967,098	$ 3,388,335

Primary Care Funding

FamilyCare was awarded Primary Care Uncompensated Care Grants of $232,019 and $172,393 for the years ended June 30, 2018 and 2017, respectively, by the West Virginia Department of Health and Human Resources, Bureau for Public Health. The intent of these grants is to provide deficit funding so that FamilyCare can continue to serve patients who cannot pay for services. The grants are subject to numerous requirements. To maintain continued eligibility FamilyCare must be experiencing a financial deficit created when FamilyCare's revenues do not cover expenses incurred from rendering primary care services. Surplus funds will be determined using the last three prior years' audits with adjustments made to identify allowable excess funds. Any such surpluses, determined in accordance with state requirements, could cause reductions in future awards.

Federal Grant Funding

The Bureau of Primary Health Care awarded FamilyCare with Federal 330 grant funding in the amount of $3,781,100 for the period March 1, 2018 through February 28, 2019 and funding in the amount of $3,388,193 for the period March 1, 2017 through February 28, 2018. The Federal 330 grants are issued to community health centers to increase the access to comprehensive primary and preventive health care and improve the health status of underserved populations. During the year ended June 30, 2018, FamilyCare received $3,506,080 in Federal 330 grant funding and expended $3,506,080. During the year ended June 30, 2017, FamilyCare received $3,140,367 in Federal 330 grant funding and expended $3,140,367.

9 – DEFERRED REVENUE

Deferred grant revenue results when grant funds are received prior to incurring qualifying expenditures. The components of deferred grant revenue at June 30, 2018 and 2017, follows:

	2018	2017
Benedum Foundation	$ 133,700	$ -
The Greater Kanawha Valley Foundation	-	94,500
Robert Wood Johnson Foundation	-	381
American Association of Diabetes Educators	-	40,575
Total deferred grant revenue	$ 133,700	$ 135,456

10 – FUNCTIONAL CLASSIFICATION OF ACTIVITIES

Expenses are charged to program and support services based on actual expenses incurred. Those expenses which are not directly identifiable with any other specific function but provide overall support and direction has been included as administrative and general. Functional expenses for the years ended June 30, 2018 and 2017 are classified as follows:

	2018	2017
Administrative and general	$ 4,132,493	$ 3,939,362
Program services	18,328,007	16,044,062
	$ 22,460,500	$ 19,983,424

11 – COMMITMENTS AND CONTINGENCIES

Malpractice Insurance: FamilyCare's health professionals are covered by the Federal Tort Claims Act and therefore, no professional liability insurance is necessary. Pursuant to Section 224 of the Public Health Service Act, 42 USC 233, the Federal Tort Claims Act covers alleged negligent medical care during the performance of official duties for Community Health Centers funded under Section 330 of the PHS Act. Under the Federal Tort Claims Act, the U.S. Government consented to be sued for any damage to property or for personal injury or death caused by the negligence or wrongful act or omission of Federal employees who were acting within the scope of their employment.

FamilyCare's Directors are covered by professional liability insurance on a claims made basis. Policy limits have provided per occurrence coverage up to $1,500,000 with an aggregate limit of $1,500,000. No losses in excess of the per occurrence or aggregate limits have been asserted, and management does not believe any assertions are probable.

Cash Balances in Excess of FDIC Insurance: FamilyCare maintains cash in demand deposit accounts with a federally insured bank. At times, the balances in these accounts may be in excess of federally insured limits. In management's opinion, the amounts in excess of FDIC limits do not pose a significant risk.

Economic Dependency and Geographic Concentration: FamilyCare 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 significantly impact its operations. FamilyCare also receives significant funding from the West Virginia Department of Health and Human Resources Bureau for Public Health and the U.S. Department of Health and Human Services, as discussed in Note 8 to the financial statements. Discontinuation of support from these sources could also significantly impact operations.

Patient service revenue that FamilyCare generates is primarily limited to services to residents in Kanawha County, Putnam County, Boone County and surrounding communities. General economic conditions in the area can, therefore, significantly influence FamilyCare's ability to collect fees for services rendered.

Operating Agreement: On September 30, 2013, FamilyCare and Charleston Area Medical Center (CAMC) entered into an agreement for FamilyCare to assume the financial and operational responsibility of CAMC Children's Medicine Center (the Center). The Center is a clinic providing primary care services to pediatric populations at CAMC Women and Children's Hospital. From and after September 30, 2013, except for CAMC's continuing control of the Residency Programs, FamilyCare and its Board have responsibility for the operation of the Center. CAMC agreed to be responsible for any incremental employee cost that was not included in the original projections. On September 30, 2014, FamilyCare and CAMC amended the operating agreement to state that for a two-year period beginning October 1, 2014, FamilyCare will pay CAMC a monthly fee equal to the Children's Medical Center's Net Income from operations. Effective January 12, 2017 the agreement was extended for one more year ending September 30, 2017 to be automatically renewed for successive one-year terms, unless terminated. This agreement can be terminated by either party with one hundred-twenty days advance written notice. For the year ended June 30, 2018, the clinic sustained a net loss of $19,449. Per the amended agreement, this loss will be used to offset future fees owed to CAMC.

Operating Leases: FamilyCare has entered into several non-cancelable operating lease agreements. Future payments related to lease commitments are as follows for years ending June 30:

2018	$ 884,970
2019	793,914
2020	710,213
2021	709,819
2022	600,209
Theafter	1,635,699
	$ 5,334,824

12 – HEALTH CARE LEGISLATION AND REGULATION

The health care industry is subject to numerous laws and regulations of Federal, state and local governments. Government activity has increased with respect to investigations and allegations concerning possible violations of various statutes and regulations by health care providers. 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. Management believes that FamilyCare is in compliance with fraud and abuse as well as other applicable government laws and regulations. If FamilyCare is found in violation of these laws, it could be subject to substantial monetary fines, civil and criminal penalties and exclusion from participation in the Medicare and Medicaid programs.

13 – BENEFIT PLANS

FamilyCare has a 401(k) defined contribution plan (the Plan) covering all eligible employees. The Plan was adopted on February 1, 2009. The Plan is subject to the provisions of the Employee Retirement Income Security Act (ERISA).

Participants may elect to defer an amount not in excess of 90% of their pre-tax compensation up to the maximum allowable dollar limit provided by the Internal Revenue Code (IRC). Participants who have attained age 50 before the end of the Plan year are eligible to make catch-up contributions. Participants may also contribute amounts representing distributions from other qualified defined benefit or defined contribution plans. Participants direct the investment of their contributions into various investment options offered by the Plan. FamilyCare retains discretion to provide a matching and/or profit-sharing contribution. A participant is eligible for an employer match contribution when he/she completes one year of service with 1,000 hours worked. Employer contributions to the Plan totaled approximately $137,000 and $110,000 for 2018 and 2017, respectively.

14 – CONCENTRATION OF CREDIT RISK

FamilyCare grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors at June 30, 2018 and 2017, follows:

	2018	2017
Medicare	14%	13%
Medicaid	45%	50%
Self-pay	23%	20%
Other	18%	17%
	100%	100%

15 – ELECTRONIC HEALTH RECORDS

The Health Information Technology for Economic and Clinical Health Act ("HITECH Act) was enacted into law on February 17, 2009 as part of the American Recovery and Reinvestment Act (ARRA). The HITECH Act includes provisions designed to increase the use of Electronic Health Records (EHR) by both physicians and hospitals. FamilyCare is progressing towards compliance with the EHR meaningful use requirements of the HITECH Act in time to qualify for the maximum available incentive payments. FamilyCare's compliance will result in significant costs including professional services focused on successfully designing and implementing EHR solutions along with costs associated with the hardware and software components of the project. FamilyCare has incurred and will continue to incur both capital expenditures and operating expenses in connection with the implementation of Its EHR initiatives.

During the years ended June 30, 2018 and 2017, FamilyCare received \$212,500 and \$403,544, respectively, in Medicaid EHR incentive payments. These payments are included as Electronic health record incentive reimbursement on the June 30, 2018 and 2017 statements of operations and changes in net assets. FamilyCare intends to apply for additional funds in the coming years. Any funds from future applications are dependent on reaching certain metrics and various stages of "meaningful use" as defined by the ARRA, and subject to audit and retroactive recovery.

Womencare, Inc. dba FamilyCare Health Centers

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2018

Federal Grantor/Pass Through Grantor	Federal CFDA Number	Pass-through Entity Identifying Number	Pass-through to Subrecipients	Federal Expenditures
U.S. Department of Health and Human Services, Health and Services Administration:				
Direct awards:				
Health Centers Cluster:				
Consolidated Health Centers (Community Health Centers)	93.224	N/A	$ -	$ 651,730
Affordable Care Act (ACA) Grants for New and Expanded Services Under the Health Center Program Health Center Program	93.527	N/A	-	2,854,350
Total direct awards			-	3,506,080
Pass-through the American Association of Birth Centers:				
Strong Start for Mothers and Newborns	93.611	N/A	-	6,000
Total pass-through awards			-	6,000
Total expenditures of Federal Awards			$ -	$ 3,512,080

See independent auditors' report and Notes to the Schedule of Expenditures of Federal Awards.

Womencare, Inc. dba FamilyCare Health Centers

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2018

1 – BASIS OF PRESENTATION

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

2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-122, Cost Principles for Non-Profit Organizations, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

For the purposes of charging indirect costs to deferral awards, the Center has not elected to use the 10 percent de minimus cost rate as permitted by section 200.414 of the Uniform Guidance.

Womencare, Inc. dba FamilyCare Health Centers

SCHEDULE OF STATE AWARDS
For the Year Ended June 30, 2018

Federal Grantor/Pass Through Grantor	Grant Number	Grant Period	Grant Award	Grant Receipts	Grant Expenditures
West Virginia Department of Health and Human Resources, Bureau for Public Health, Office of Community Health Systems and Health Promotion:					
Uncompensated Care Grant	G160281	7/1/16-6/30/17	$ 232,019	$ 232,019	$ 232,019
Total state awards			$ 232,019	$ 232,019	$ 232,019

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

To the Board of Directors
Womencare, Inc. dba FamilyCare Health Centers
Scott Depot, 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 balance sheets of Womencare, Inc. dba FamilyCare Health Centers (FamilyCare), a nonprofit organization, as of June 30, 2018, 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 November 26, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered FamilyCare's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of FamilyCare's internal control. Accordingly, we do not express an opinion on the effectiveness of FamilyCare'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 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 responses that we consider to be a significant deficiency. [2018-1]

Compliance and Other Matters

As part of obtaining reasonable assurance about whether FamilyCare'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.

FamilyCare's Response to Findings

FamilyCare's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. FamilyCare'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 the testing, and not to provide an opinion on the effectiveness of FamilyCare's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* In considering FamilyCare's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Gray, Griffith & Mays, a.c.

Charleston, West Virginia
November 26, 2018

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors
Womencare, Inc. dba FamilyCare Health Centers
Scott Depot, West Virginia

Report on Compliance for Each Major Federal Program

We have audited the compliance of Womencare, Inc. dba FamilyCare Health Centers (FamilyCare), a nonprofit organization, with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of FamilyCare's major federal programs for the year ended June 30, 2018. FamilyCare'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 each of FamilyCare'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 tile 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 Requirement, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about FamilyCare'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 FamilyCare's compliance.

Opinion on Each Major Federal Program

In our opinion, WomenCare, Inc. dba FamilyCare HealthCenter 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 June 30, 2018.

Report on Internal Control Over Compliance

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

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.

Gray, Griffith & Mays, a.c.

Charleston, West Virginia
November 26, 2018

Womencare, Inc. dba FamilyCare Health Centers

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2018

SECTION I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements:

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

	Yes		No	
* Material weakness(es) identified?	Yes		No	X
* Significant deficiencies identified that are not considered to be material weakness(es)?	Yes	X	No	
Noncompliance material to financial statements noted?	Yes		No	X

Federal Awards:

Internal control over major programs:

* Material weakness(es) identified?	Yes		No	X
* Significant deficiencies identified that are not considered to be material weakness(es)?	Yes		No	X

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

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

Major Programs:

CFDA Number	Name of Federal Program or Cluster	Amount Expended
	U.S. Department of Health and Human Services District Awards:	
93.224	Health Centers Cluster: Consolidated Health Centers (Community Health Centers)	$ 651,730
93.527	Affordable Care Act (ACA) Grants for New and Expanded Services Under the Health Center Program	2,854,350
		$ 3,506,080

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

Auditee qualified as low-risk auditee?	Yes	X	No	

Womencare, Inc. dba FamilyCare Health Centers

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2018

SECTION II. FINANCIAL STATEMENT FINDINGS

SIGNIFICANT DEFICIENCY

2018-1 – Patient Accounts Receivable and Revenue

Criteria: Paragraph 83 of FASB Concepts Statement No. 5, Recognition and Measurement in Financial Statements of Business Enterprises, provides a general rule that revenue is earned when an entity has substantially accomplished what it must do to be entitled to those revenues. In healthcare entities, this is generally at the time clinical care is given to the patient. Some third-party payor arrangements, governmental regulations or contractual terms will specify other performance requirements or conditions the healthcare entity must meet in order to be entitled to revenue under the contract or provider agreement.

Condition: Patient account receivables within the billing system were not reconciled to the general ledger on a timely basis.

Effect: Patient service revenue, accounts receivable, contractual adjustments and bad debt expense may not be recognized in the proper period, and accounts receivable could be misstated.

Cause: There was limited number of personnel assigned to this requirement at year-end due to an understaffed accounting department which resulted in insufficient time to reconcile the billing system to the general ledger. Also, the accounting staff's overlapping administrative duties often took precedence over accounting duties.

Recommendations: Management should devote more resources to the area of patient accounts receivable and revenue so that data is being recorded and reported accurately. We believe the main factor contributing to this deficiency is the lack of timely reconciliation. We strongly suggest that procedures be established to ensure that accounts receivable balances are reconciled between the general ledger and the accounts receivable subsidiary system on a consistent and timely basis. Differences should be investigated and resolved as soon as possible. Additionally, we recommend that FamilyCare hire an additional full-time employee to assist in the accounting function and enable the accounting processes, specifically reconciling the billing system to the general ledger, to be completed in a timely manner.

Views of Management and planned corrective actions: FamilyCare agrees with this finding and will devote more resources to ensure that timely reconciliation of the billing system and the general ledger occurs and that differences are investigated and resolved as soon as possible.

SECTION III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No items were noted.

Womencare, Inc. dba FamilyCare Health Centers

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For Year Ended June 30, 2017

FINANCIAL STATEMENT FINDINGS:

No matters were reported.

FINDINGS OF QUESTIONED COSTS FOR FEDERAL AWARDS:

No matters were reported.