

QUALITY HOME CARE SERVICES, INC.

FINANCIAL STATEMENTS
JUNE 30, 2016

QUALITY HOME CARE SERVICES, INC.

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June 30, 2016

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*PHILLIP G. WILSON
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Quality Home Care Services, Inc.
Charlotte, North Carolina

We have audited the accompanying financial statements of Quality Home Care Services, Inc. (the "Organization" - a nonprofit corporation), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Quality Home Care Services, Inc.
Charlotte, North Carolina
February 15, 2019

Opinion

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Quality Home Care Services, Inc., as of June 30, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other 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 *Code of Federal Regulations (CFR) 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 February 16, 2019, on our consideration of Quality Home Care Services, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Quality Home Care Services, Inc.'s internal control over financial reporting and compliance.

Report on Summarized Comparative Information

We have previously audited the Organization's 2015 financial statements, and our report dated May 10, 2016, expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

C. Dewitt Ford & Company, P.A.

February 16, 2019

QUALITY HOME CARE SERVICES, INC.**Statement of Financial Position****June 30, 2016**

	June 30,	
	2016	2015
<u>ASSETS</u>		
Current Assets:		
Cash	\$ 88,360	\$ 47,661
Receivables:		
Grants	53,792	70,220
Due from related party	-	51,751
Prepaid expense	2,021	2,021
Security deposit	10,868	10,268
<i>Total Current Assets</i>	<i>155,041</i>	<i>181,921</i>
Non-Current Assets:		
Property and equipment (net)	8,132	12,269
<i>Total Non-Current Assets</i>	<i>8,132</i>	<i>12,269</i>
<i>TOTAL ASSETS</i>	<i>\$ 163,173</i>	<i>\$ 194,190</i>
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Accounts payable	\$ 12,440	\$ 16,579
Accrued payroll	34,221	23,377
Due to Executive Director	56,718	116,946
<i>Total Current Liabilities</i>	<i>103,379</i>	<i>156,902</i>
Net Assets:		
Unrestricted	59,794	37,288
<i>Total Net Assets</i>	<i>59,794</i>	<i>37,288</i>
<i>TOTAL LIABILITIES AND NET ASSETS</i>	<i>\$ 163,173</i>	<i>\$ 194,190</i>

QUALITY HOME CARE SERVICES, INC.

Statement of Activities

Year Ended June 30, 2016, with prior year comparative totals

	Year Ended June 30,	
	2016	2015
<u>SUPPORT AND REVENUE</u>		
Program income:		
Medicaid	\$ 1,046,284	\$ 794,555
Other program	537,769	469,361
CDC income	350,000	360,662
Ryan White grant income	374,953	175,947
Reimbursements	-	50,779
Rental income	-	15,000
Other income	-	821
Direct public support	17,084	800
<i>Total Support and Revenue</i>	<i>2,326,090</i>	<i>1,867,925</i>
<u>EXPENSES</u>		
Program services	2,117,749	1,586,381
Management and general	185,835	170,643
<i>Total Expenses</i>	<i>2,303,584</i>	<i>1,757,024</i>
<i>CHANGE IN NET ASSETS</i>	<i>22,506</i>	<i>110,901</i>
<i>UNRESTRICTED NET ASSETS, BEGINNING (DEFICIT)</i>	<i>37,288</i>	<i>(73,613)</i>
<i>UNRESTRICTED NET ASSETS, ENDING</i>	<i>\$ 59,794</i>	<i>\$ 37,288</i>

QUALITY HOME CARE SERVICES, INC.

Statement of Functional Expenses

Year Ended June 30, 2016, with prior year comparative totals

	Year ended June 30,			Prior Year Comparative Totals
	Program Services	Management and General	Totals	
<u>EXPENSES</u>				
Payroll expenses	\$ 583,944	\$ 145,986	\$ 729,930	\$ 653,960
Contractor expense	1,046,284	-	1,046,284	794,555
Outside services	23,852	-	23,852	-
Office expenses	12,734	3,139	15,873	93,103
Rent	47,787	11,947	59,734	75,791
Utilities	23,793	3,121	26,914	25,267
Bab debt expense	46,511	-	46,511	-
Travel and meetings	32,789	-	32,789	22,333
Office supplies	12,086	-	12,086	19,298
Miscellaneous	2,411	300	2,711	5,861
Supplies	31,624	-	31,624	14,799
Transportation	4,583	-	4,583	7,653
Insurance	16,141	4,344	20,485	-
Depreciation	3,770	943	4,713	5,964
Medical services	115,298	-	115,298	-
Professional services	30,678	7,669	38,347	16,446
Marketing	14,395	-	14,395	-
Rental assistance	7,950	-	7,950	-
Repairs and maintenance	16,211	3,129	19,340	868
Licenses and permits	4,780	21	4,801	5,280
Penalties	360	50	410	1,200
Donations	39	-	39	5,283
Incentives	8,819	-	8,819	7,425
Information technology	20,743	5,186	25,929	-
Events	8,743	-	8,743	-
Meals and entertainment	1,424	-	1,424	1,938
<u>TOTAL EXPENSES</u>	\$ 2,117,749	\$ 185,835	\$ 2,303,584	\$ 1,757,024

QUALITY HOME CARE SERVICES, INC.

Statement of Cash Flows

Year Ended June 30, 2016, with prior year comparative totals

	Year Ended June 30,	
	2016	2015
<u>OPERATING ACTIVITIES</u>		
Change in net assets	\$ 22,506	\$ 110,901
Adjustments to reconcile changes in net assets to net cash flows from operating activities:		
Depreciation expense	4,713	5,964
(Increase) decrease in operating assets:		
Receivables	16,428	(14,594)
Prepaid expense	-	1,003
Security deposit	(600)	(4,308)
Increase (decrease) in operating liabilities:		
Accounts payable	(4,139)	3,252
Accrued payroll	10,844	(1,143)
Deferred revenue	-	(6,474)
	<u>49,752</u>	<u>94,601</u>
<u>INVESTING ACTIVITIES</u>		
Purchase of fixed assets	(576)	(4,799)
	<u>(576)</u>	<u>(4,799)</u>
<u>FINANCING ACTIVITIES</u>		
Due from related party	(1,087,148)	(964,996)
Due to related party	1,138,899	816,612
Proceeds from loans payable	-	33,336
Principal repayment of loans payable	(60,228)	(7,325)
	<u>(8,477)</u>	<u>(122,373)</u>
NET CHANGE IN CASH	40,699	(32,571)
CASH, BEGINNING	47,661	80,232
CASH, ENDING	\$ 88,360	\$ 47,661

QUALITY HOME CARE SERVICES, INC.

Notes to Financial Statements

June 30, 2016

NOTE A - NATURE OF OPERATIONS

Organization

Quality Home Care Services, Inc. (the “Organization”) is a North Carolina nonprofit organization established in 2005 and organized to provide personal care services to individuals with Mental Health, Development Disabilities (MH/DD), Substance Abuse, and HIV/AIDS Prevention and Care Services.

Funding

The Organization is primarily funded by grants from the Centers for Disease Control and Prevention (CDC), Mecklenburg County Health Department, Rx Clinic Pharmacy, and various other organizations.

Purpose

The purpose of the Organization is to promote wellness and health equity for those living with health disparities in the Carolinas.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

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

Basis of presentation

The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted net assets - Net assets that are not restricted by donors or for which donor-imposed restrictions have expired.

Temporarily restricted net assets - Net assets that contain donor-imposed time or purpose restrictions that have not currently been met. As of June 30, 2016, the Organization did not have any remaining temporarily restricted net assets.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained in perpetuity by the Organization. As of June 30, 2016, the Organization did not have any permanently restricted net assets.

QUALITY HOME CARE SERVICES, INC.

Notes to Financial Statements

June 30, 2016

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Contributions

Quality Home Care Services, Inc. accounts for contributions in accordance with GAAP. Accordingly, the Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. As permitted by this accounting standard, Quality Home Care Services, Inc. has adopted a policy to record all temporarily restricted contributions as unrestricted if the funds were utilized in the current fiscal year.

Grants receivable

Grants receivable consist of unconditional promises to give which are stated at realizable value. No discount for present value has been imputed as all grants receivable are expected to be collected during the following fiscal year. Management's determination of the allowance for doubtful accounts is based on an evaluation of the amounts receivable, past experience, current economic conditions, and other risks inherent in the receivable portfolio. At June 30, 2016, management determined no allowance was considered necessary.

Property and equipment

Fixed assets exceeding \$500, are recorded at cost if purchased or fair value if donated. Costs that improve or extend the useful lives of assets are capitalized. Amounts paid for maintenance and repairs are expensed as incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which vary from three to ten years.

Donated services and goods

Donated services are reported as contributions when the services (a) create or enhance nonfinancial assets or (b) would be purchased if they had not been provided by contribution, require specialized skills, and are provided by individuals possessing those skills. Donated equipment or materials, if significant, are included in support at fair value. During the year, the Organization recorded no contributed services or donated goods.

In addition, many individuals volunteer their time and perform a variety of tasks that assist the Organization with specific assistance programs and various assignments. No amounts have been reflected in the financial statements for these contributions, as they do not meet the criteria for recognition described above.

Functional allocation of expenses

Expenses are allocated to program services and management and general based on management's estimates of time spent and various allocation methods appropriate to the type of expense. Management determined that no expenses occurred related to fundraising activities during the year ended June 30, 2016.

QUALITY HOME CARE SERVICES, INC.

Notes to Financial Statements

June 30, 2016

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Income tax status

The Organization is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code and is not a private foundation as defined by Section 509(a) of the Internal Revenue Code.

Use of estimates

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

NOTE C - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30, 2016:

Office equipment	\$ 54,038
Building improvements	11,952
Vehicles	8,110
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Total cost	74,100
Less – accumulated depreciation	65,968
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PROPERTY AND EQUIPMENT - NET	\$ 8,132

NOTE D - CONCENTRATIONS OF RISK

Funding

During years ended June 30, 2016, the Organization received the majority of its funding from a limited number of funding sources, a large amount of which is renewable annually. This represents a significant concentration of risk that operations could be affected if any of these agencies unexpectedly discontinued their funding of the Organization.

Government grants

Financial awards from federal, state, and local governmental entities in the form of grants are subject to special audit. Such audits could result in claims against the Organization for disallowed costs or noncompliance with grantor restrictions. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined at this date.

Geographic area

The Organization operates in a limited geographic area and is therefore sensitive to changes in the local economy.

QUALITY HOME CARE SERVICES, INC.

Notes to Financial Statements

June 30, 2016

NOTE E - LEASE COMMITMENTS

Operating lease

The Organization leases four office spaces located in Charlotte, NC and one in Gastonia, NC. The rent expense for the years ended June 30, 2016 was \$59,734. Future minimum payments under operating leases are due during the years ending June 30:

2017	\$	32,400
2018		32,400
<hr/>		
TOTAL	\$	64,800

NOTE F - CONTINGENCIES

Financial awards from federal, state, and local governmental entities in the form of grants are subject to special audits by the funding agencies. Such audits could result in claims against the Organization for disallowed costs or noncompliance with grantor restrictions. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined at this date.

NOTE G - RELATED PARTY TRANSACTIONS

The 4C Company of NC, LLC

The Organization's Executive Director is the owner of a for-profit limited liability company, the 4C Company of NC, LLC (4C), which provides assistance with activities of daily living to children and adults. During the year, the following transactions occurred between the Organization and 4C:

- The Organization received money on behalf of 4C from Medicaid.
- The Organization wrote off \$33,897 of reimbursements and rental income that was not received by 4C.

Due to Executive Director

At June 30, 2016, the Organization owed \$56,718 to its Executive Director for unpaid salary and amounts advanced to the Organization. Payments of \$14,125 were made on this loan during the year ended June 30, 2016. As of the date of this report, no terms of repayment had been established, and no present value discount has been provided in the accompanying financial statements.

QUALITY HOME CARE SERVICES, INC.

Notes to Financial Statements

June 30, 2016

NOTE G - RELATED PARTY TRANSACTIONS – continued

Due from 4C Company of NC, LLC

Expenses incurred by the Organization for the benefit of 4C are recorded as an increase in the amount due from 4C. Activity in the account for the years ended June 30, 2016 were as follows:

Beginning balance owed from (to) 4C	\$ 51,751
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Additions:	
Medicaid payments remitted to 4C	1,046,284
Other	40,864
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Deductions:	
Payments from Medicaid	1,046,284
Bad debt expense	46,511
Reduction of loan to Executive Director (owner of 4C)	46,104
<hr/>	
Ending balance owed from (to) 4C	\$ -
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The Organization wrote off the remaining balance from 4C as uncollectible.

NOTE H - SUBSEQUENT EVENTS

The Organization has evaluated subsequent events from the date of the statement of financial position through the date of the audit report, which is the date the financial statements were available to be issued. The Organization determined that it was required to have an audit in conformity with Uniform Guidance and failed to do so by the deadline for submission. This potentially could have a negative impact on the Organization's federal funding going forward.

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INDEPENDENT AUDITORS' 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
Quality Home Care Services, Inc.
Charlotte, North Carolina

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 Quality Home Care Services, Inc. (the "Organization"), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 16, 2019.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be material weaknesses (Finding 2016-1, 2016-2 and 2016-3).

To the Board of Directors of
Quality Home Care Services, Inc.
Charlotte, North Carolina

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

C. DeWitt Ford & Company, P.A.

Charlotte, North Carolina
February 16, 2019

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors of
Quality Home Care Services, Inc.
Charlotte, North Carolina

Report on Compliance for Each Major Federal Program

We have audited Quality Home Care Services, Inc.'s (the "Organization") compliance with the types of compliance requirements described in the *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on the Organization's major federal program for the year ended June 30, 2016. The Organization's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Organization's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2016.

To the Board of Directors of
Quality Home Care Services, Inc.
Charlotte, North Carolina

Report on Internal Control Over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its 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 the Organization's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be material weaknesses. (Finding 2016-1, and 2016-4)

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.

C. DeWitt Ford & Company, P.A.

Charlotte, North Carolina
February 16, 2019

Quality Home Care Services, Inc.
Schedule of Findings and Questioned Costs
Year Ended June 30, 2016

I. Summary of Auditors' Results

- A. An unmodified opinion was issued on the financial statements of Quality Home Care Services, Inc. (the "Organization").
- B. No significant deficiencies relating to the audit of the financial statements are reported, but a material weakness is reported in the "Independent Auditors' Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit of Financial Statements In Accordance With *Government Auditing Standards*."
- C. No instances of noncompliance material to the financial statements of the Organization were disclosed during the audit.
- D. No significant deficiencies relating to the audit of the major federal award program are reported, but a material weakness is reported in the "Independent Auditors' Report On Compliance For Each Major Program And On Internal Control Over Compliance Required By The Uniform Guidance."
- E. An unmodified opinion was issued on the Organization's compliance with the types of compliance requirements applicable to its major federal program.
- F. Our audit disclosed no audit findings that related to the Organization's major federal program.
- G. The major federal program for the Organization for the fiscal year ended June 30, 2016 is:

<u>Program Name</u>	<u>CFDA#</u>
Comprehensive High-Impact HIV Prevention Projects	93.939
- H. The threshold for determining Type A programs for the Organization is \$750,000.
- I. The Organization did not qualify as a low risk auditee under Section 200 of the Uniform Guidance.

II. Findings Related to the Audit of the Financial Statements

Material Weakness

Finding 2016-1

Criteria: Adequate review and oversight monitoring

Condition: The Organizations had limited personnel involved in the accounting and reporting functions.

Quality Home Care Services, Inc.
Schedule of Findings and Questioned Costs
Year Ended June 30, 2016

Effect: The Organization's financial statements were materially misstated.

Cause: No oversight was being performed over the bookkeeper, thus no errors were being discovered.

Recommendation: A member of the Board of Directors and/or an independent accountant from a CPA firm with grant reporting knowledge should perform oversight monitoring.

Views of responsible officials and planned corrective actions: The Organization agrees with this finding.

Corrective Action Plan:

Name of contact person: Lisa Wigfall, Chief Executive Officer

The Organization's Chief Executive Officer will take the necessary steps by adding a monthly checklist to be signed off on by a knowledgeable Board member and/or an independent accountant from a CPA firm.

Material Weakness

Finding 2016-2

Criteria: Auditing standards require management have the ability to provide financial statements in accordance with generally accepted accounting principles which are free of material misstatements.

Condition: The Organization's initial financial statements had various material errors.

Effect: The Organization's financial statements were materially misstated.

Cause: The Organization's bookkeeper left during the fiscal year ending June 30, 2016 and the next bookkeeper also left the Organization prior to the date of the audit report.

Recommendation: The Organization should ensure it has adequate staff or contractors to provide the auditing firm complete and accurate financial statements for future engagements, while also maintaining accurate financial statements throughout the year.

Views of responsible officials and planned corrective actions: The Organization agrees with this finding.

Quality Home Care Services, Inc.
Schedule of Findings and Questioned Costs
Year Ended June 30, 2016

Corrective Action Plan:

Name of contact person: Lisa Wigfall, Chief Executive Officer.

The Organization's Chief Executive Officer has taken steps to strengthen its accounting department by hiring two competent accountants who have the necessary skills to provide financial statements free of material misstatements going forward.

Material Weakness

Finding 2016-3

Criteria: Related party transactions should have proper documentation.

Condition: The related party entity deposited a check from a grantor erroneously and it was not discovered until the audit occurred.

Effect: The Organization recorded bad debt expense of \$12,614.

Cause: The payment was deposited into the related party's bank account which is the same financial institution that the Organization uses.

Recommendation: The Organization should properly use its accounting system's accounts receivable module and investigate receivables that are over 60 days outstanding.

Views of responsible officials and planned corrective actions: The Organization agrees with this finding.

Corrective Action Plan:

Name of contact person: Lisa Wigfall, Chief Executive Officer.

The Organization's Chief Executive Officer has taken steps to properly track the Due to Related Party and Due from Related Party accounts by keeping track of transfers to and from, and also to utilize the accounts receivable module and investigate receivables over 60 days outstanding.

III. Findings Related to the Audit of Federal Awards

Finding 2016-4

Criteria: Data collection form is to be submitted 9 months from the fiscal year end date.

Condition: The data collection form has yet to be submitted.

Quality Home Care Services, Inc.
Schedule of Findings and Questioned Costs
Year Ended June 30, 2016

Effect: The Organization will not qualify as a low risk auditee.

Cause: The financial statements were materially misstated and caused the audit to be delayed.

Recommendation: Implement corrective actions noted above.

Views of responsible officials and planned corrective actions: The Organization agrees with this finding.

Corrective Action Plan:

Name of contact person: Lisa Wigfall, Chief Executive Officer.

The Organization's Chief Executive Officer has taken steps to implement the policies mentioned in Section II. With these policies in place, the Organization will be able to submit the data collection form on a timely basis.

IV. Summary Schedule of Prior Year Audit Findings

The auditee was not subject to a Uniform Guidance audit for the year ended June 30, 2015.

Quality Home Care Services, Inc.
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2016

Agency	CFDA Number	Amount Expended
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:</u>		
Passed through the Mecklenburg County Health Department: Ryan White HIV/AIDS Program Part C Outpatient Early Intervention Services Program	93.918	\$ 212,911
Passed through the Health Resources and Services Administration HIV Emergency Relief Project Grants (Ryan White HIV/AIDS Program Part A and Ryan White MAI)	93.914	162,041
Passed through the Centers for Disease Control and Prevention Comprehensive High-Impact HIV Prevention Projects for Community-Based Organizations	93.939	350,000
Passed through Johnson C. Smith University Collegiate Health Improvement Project	93.243	42,825
TOTAL FEDERAL AWARDS		<u>\$ 767,777</u>

Quality Home Care Services, Inc.
Schedule of Findings and Corrective Action Plan
Year Ended June 30, 2016

MATERIAL WEAKNESS

Finding –2016- 1 Adequate review and oversight monitoring

Criteria: Adequate review and oversight monitoring.

Condition: The organizations had limited personnel involved in the accounting and reporting functions.

Effect: The Organization’s financial statements were materially misstated.

Cause: No oversight was being performed over the bookkeeper, thus no errors were being discovered.

Views of responsible officials and planned corrective actions: The organization agrees with this finding.

Corrective Action: The CEO, Lisa Wigfall, will take the necessary steps by adding a monthly checklist to be signed off on by a knowledgeable BOD member and/or an independent accountant from a CPA firm.

Finding –2016- 2

Criteria: Auditing standards require management have the ability to provide financial statements in accordance with generally accepted accounting principles which are free of material misstatements.

Condition: The organizations initial financial statements had various material errors.

Effect: The Organization’s financial statements were materially misstated.

Cause: The organization’s bookkeeper left during the fiscal year ending June 30, 2016 and the next bookkeeper also left the Organization prior to the date of the audit report.

Recommendations: The Organization should ensure it has adequate staff or contractors to provide the auditing firm complete and accurate financial statements for future engagements, while also maintaining accurate financial statements throughout the year.

Quality Home Care Services, Inc.
Schedule of Findings and Corrective Action Plan
Year Ended June 30, 2016

Views of responsible officials and planned corrective actions: The organization agrees with this finding.

Corrective Action: The CEO, Lisa Wigfall, has taken steps to strengthen its accounting department by hiring two competent accountants who have the necessary skills and experience to provide financial statements free of material misstatements going forward.

Finding –2016- 3

Criteria: Related party transactions should have proper documentation.

Condition: The related party entity deposited a check from a grantor erroneously and it was not discovered until the audit occurred.

Effect: The Organization’s recorded bad debt expense of \$12,614.00

Cause: The payment was deposited in the related party’s bank account which is the same financial institution that the Organization uses.

Recommendations: The Organization should ensure properly use its accounting system’s accounts receivable module and investigate receivables that are over 60 days outstanding.

Views of responsible officials and planned corrective actions: The organization agrees with this finding.

Corrective Action: The CEO, Lisa Wigfall, has taken steps to properly track the Due to Related Party and Due from Related Party accounts by keeping track of transfers to and from, and also to utilize the accounts receivable module and investigate receivables over 60 days outstanding.

Finding –2016- 4

Criteria: Data collection form is to be submitted 9 months from the fiscal year end date.

Condition: The data collection form has yet to be submitted.

Effect: The Organization will not qualify as a low risk auditee.

Cause: The financial statements were materially misstated and caused the audit to be delayed.

Recommendations: The Organization should implement corrective actions noted above.

Quality Home Care Services, Inc.
Schedule of Findings and Corrective Action Plan
Year Ended June 30, 2016

Views of responsible officials and planned corrective actions: The organization agrees with this finding.

Corrective Action: The CEO, Lisa Wigfall, has taken steps to implement the policies mentioned in Section II. With these policies in place, the Organization will be able to submit the data collection form on a timely basis.