



Financial Statements and Supplementary Information

For the Year Ended September 30, 2019

(With Summarized Financial Information for the Year Ended September 30, 2018)



**and
Report Thereon**



**Reports Required in Accordance with the
Uniform Guidance**

For the Year Ended September 30, 2019



WILLIAM WENDT CENTER FOR LOSS AND HEALING

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the
William Wendt Center for Loss and Healing

Report on the Financial Statements

We have audited the accompanying financial statements of the William Wendt Center for Loss and Healing (Wendt Center), which comprise the statement of financial position as of September 30, 2019, 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.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 qualified audit opinion.

Continued

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Basis for Qualified Opinion

Due to the inadequacy of certain accounting records, we were unable to obtain sufficient, appropriate audit evidence regarding the amount of counseling revenue (stated at \$390,399) and the associated bad debt expense (stated at \$438,639) in the accompanying statement of activities for the year ended September 30, 2019.

Qualified Opinion

In our opinion, except for the possible effects of the matter discussed in the Basis for Qualified Opinion paragraph, the 2019 financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the William Wendt Center for Loss and Healing as of September 30, 2019, 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 Matters

Report on Summarized Comparative Information

We have previously audited Wendt Center's 2018 financial statements, and in our report dated April 22, 2019, we expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Report on 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, 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*, 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 19, 2021, on our consideration of Wendt Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Wendt Center's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Wendt Center's internal control over financial reporting and compliance.

Marcum LLP

Washington, DC
February 19, 2021

WILLIAM WENDT CENTER FOR LOSS AND HEALING

STATEMENT OF FINANCIAL POSITION

September 30, 2019

(With Summarized Financial Information as of September 30, 2018)

	2019	2018
ASSETS		
Cash and cash equivalents	\$ 161,686	\$ 414,743
Receivables, net	806,326	995,014
Prepaid expenses	86,221	21,305
Property and equipment, net	58,826	18,487
Deposits	36,676	26,885
	<u> </u>	<u> </u>
TOTAL ASSETS	<u><u>\$ 1,149,735</u></u>	<u><u>\$ 1,476,434</u></u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 303,149	\$ 264,966
Deferred revenue	76,800	-
Deferred rent	144,551	93,696
	<u> </u>	<u> </u>
TOTAL LIABILITIES	<u>524,500</u>	<u>358,662</u>
NET ASSETS		
Without donor restrictions	479,735	916,397
With donor restrictions	145,500	201,375
	<u> </u>	<u> </u>
TOTAL NET ASSETS	<u>625,235</u>	<u>1,117,772</u>
	<u> </u>	<u> </u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 1,149,735</u></u>	<u><u>\$ 1,476,434</u></u>

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

WILLIAM WENDT CENTER FOR LOSS AND HEALING

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2019

(With Summarized Financial Information for the Year Ended September 30, 2018)

	Without Donor Restrictions	With Donor Restrictions	2019 Total	2018 Total
REVENUE AND SUPPORT				
Nongovernment grants and contributions	\$ 899,346	\$ 135,500	\$ 1,034,846	\$ 627,698
Government contracts and grants:				
Federal	2,271,049	-	2,271,049	2,488,847
Local	184,403	-	184,403	105,945
Annual benefit	365,320	-	365,320	406,871
Counseling fees	390,399	-	390,399	617,893
Donated goods and services	157,200	-	157,200	138,409
Training center revenue	93,411	-	93,411	21,317
Other revenue	8,797	-	8,797	4,370
Net assets released from restrictions:				
Satisfaction of time restrictions	191,375	(191,375)	-	-
TOTAL REVENUE AND SUPPORT	4,561,300	(55,875)	4,505,425	4,411,350
EXPENSES				
Program Services:				
Counseling, healing and intervention	4,507,577	-	4,507,577	3,554,824
Total Program Services	4,507,577	-	4,507,577	3,554,824
Supporting Services:				
General and administrative	256,637	-	256,637	234,289
Fundraising – other	163,972	-	163,972	334,812
Fundraising – direct donor benefit	69,776	-	69,776	101,610
Total Supporting Services	490,385	-	490,385	670,711
TOTAL EXPENSES	4,997,962	-	4,997,962	4,225,535
CHANGE IN NET ASSETS	(436,662)	(55,875)	(492,537)	185,815
NET ASSETS, BEGINNING OF YEAR	916,397	201,375	1,117,772	931,957
NET ASSETS, END OF YEAR	\$ 479,735	\$ 145,500	\$ 625,235	\$ 1,117,772

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

WILLIAM WENDT CENTER FOR LOSS AND HEALING

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended September 30, 2019

(With Summarized Financial Information for the Year Ended September 30, 2018)

	Program Services	Supporting Services				
	Counseling, Healing and Intervention	General and Administrative	Fundraising	Total Supporting Services	2019 Total	2018 Total
Salaries and wages	\$ 2,448,837	\$ 154,147	\$ 113,134	\$ 267,281	\$ 2,716,118	\$ 2,557,606
Personnel benefits	386,328	24,318	17,848	42,166	428,494	368,463
Rent and parking	369,520	29,057	8,809	37,866	407,386	340,982
Consultants and contractors	298,923	12,495	3,788	16,283	315,206	279,900
Donated goods and services	157,200	-	-	-	157,200	138,409
Staff development	81,476	4,633	4,672	9,305	90,781	102,221
Annual benefit	-	-	69,776	69,776	69,776	101,610
Supplies and office expense	53,201	3,310	1,030	4,340	57,541	80,343
Bad debt	438,639	-	-	-	438,639	43,181
Travel and food	32,331	2,778	926	3,704	36,035	30,917
Licenses, dues and subscriptions	46,403	3,466	1,051	4,517	50,920	31,798
Insurance	24,449	2,189	664	2,853	27,302	31,657
Camp	31,499	-	-	-	31,499	30,044
Telephone and internet	17,262	643	195	838	18,100	20,099
Printing and copying	18,548	2,557	775	3,332	21,880	15,877
Other expenses	16,426	1,726	6,436	8,162	24,588	15,283
Depreciation and amortization	6,730	1,275	387	1,662	8,392	13,206
Equipment rentals/small tools	62,746	10,961	3,323	14,284	77,030	11,350
Postage and delivery	4,135	632	192	824	4,959	5,131
Advertising	4,987	945	286	1,231	6,218	5,103
Maintenance and repair	7,937	1,505	456	1,961	9,898	2,355
TOTAL EXPENSES	\$ 4,507,577	\$ 256,637	\$ 233,748	\$ 490,385	\$ 4,997,962	\$ 4,225,535

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

WILLIAM WENDT CENTER FOR LOSS AND HEALING

STATEMENT OF CASH FLOWS

For the Year Ended September 30, 2019

(With Summarized Financial Information for the Year Ended September 30, 2018)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (492,537)	\$ 185,815
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	8,392	13,206
Change in allowance for doubtful accounts	(33,782)	(13,985)
Changes in assets and liabilities:		
Receivables	222,470	7,399
Prepaid expenses	(64,916)	27,658
Deposits	(9,791)	-
Accounts payable and accrued expenses	(47,644)	47,861
Deferred revenue	76,800	-
Deferred rent	50,855	4,748
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	(290,153)	272,702
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(48,731)	-
NET CASH USED IN INVESTING ACTIVITIES	(48,731)	-
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from line of credit	-	260,000
Payments on line of credit	-	(260,000)
NET CASH PROVIDED BY FINANCING ACTIVITIES	-	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(338,884)	272,702
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	414,743	142,041
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 75,859	\$ 414,743
RECONCILIATION TO AMOUNTS ON STATEMENT OF FINANCIAL POSITION		
Cash and cash equivalents	\$ 161,686	\$ -
Bank overdraft included in accounts payable and accrued expenses	85,827	-
NET CASH AND CASH EQUIVALENTS	\$ 75,859	\$ -

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

WILLIAM WENDT CENTER FOR LOSS AND HEALING

NOTES TO FINANCIAL STATEMENTS For the Year Ended September 30, 2019

1. Organization and Summary of Significant Accounting Policies

Organization

The William Wendt Center for Loss and Healing (Wendt Center) is a nonprofit organization established in 1975 under the laws of the District of Columbia. Wendt Center's purpose is to offer grief counseling, support groups, education and training, crisis response, and volunteer support to ease the impact of grief, loss and bereavement. Wendt Center's activities are primarily supported by nongovernment grants and contributions, government contracts and grants, and counseling fees.

Basis of Accounting

The 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). Consequently, revenue is recognized when earned and expenses are recognized when the obligations are incurred.

Cash Equivalents

Cash equivalents include money market funds and highly liquid investments with initial maturities of three months or less.

Receivables

Wendt Center uses the allowance method to record receivables at their estimated net realizable value. The allowance for doubtful accounts is based on various factors, including management's analysis of the collectibility of accounts and historical write-off experience. A provision for doubtful accounts is made when collection of the full amount is no longer probable.

Property and Equipment and Accumulated Depreciation

Property and equipment with a useful life of more than one year and an acquisition cost greater than \$5,000 is capitalized at cost. Expenditures for major repairs or improvements are capitalized; expenditures for minor repairs and maintenance are expensed when incurred. Upon the retirement or disposal of the assets, the cost and accumulated depreciation and amortization are eliminated from the accounts, and the resulting gain or loss is charged to revenue or expense in the accompanying statement of activities. Depreciation and amortization are recorded on a straight-line basis over the estimated useful lives of property and equipment of five years. Leasehold improvements are amortized using the straight-line method over the lesser of the lease term or the leasehold improvement's estimated useful life.

Classification of Net Assets

The net assets of Wendt Center are reported as follows:

- Net assets without donor restrictions represent the portion of expendable funds that are available for support of Wendt Center's operations.

WILLIAM WENDT CENTER FOR LOSS AND HEALING

NOTES TO FINANCIAL STATEMENTS For the Year Ended September 30, 2019

1. Organization and Summary of Significant Accounting Policies (continued)

Classification of Net Assets (continued)

- Net assets with donor restrictions represent funds that are specifically restricted by donors for use in various programs and/or for a specific period of time. These donor restrictions can be temporary in nature in that they will be met by actions of Wendt Center or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated that the funds be maintained in perpetuity. As of September 30, 2019, Wendt Center had no net assets with donor restrictions that are required to be maintained in perpetuity.

Revenue Recognition

Contributions, including contributions raised at the annual benefit, and grants are reported as revenue and support in the fiscal year in which payments are received and/or unconditional promises to give are made. Wendt Center reports gifts of cash and other assets as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated asset. When a stipulated time restriction ends or purpose of a restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the accompanying statement of activities as net assets released from restrictions. Contributions received with donor restrictions that are satisfied in the same fiscal year are recorded as revenue without donor restrictions in the accompanying statement of activities.

Wendt Center has contracts and grants with the federal government and the District of Columbia that are paid on a cost reimbursement basis. Revenue from cost-reimbursable contracts and grants is recognized as costs are incurred for the contract or grant's purpose on the basis of direct costs plus allowable indirect costs. Revenue recognized on contracts and grants for which payments have not been received is reflected in receivables in the accompanying statement of financial position.

Counseling fees are recognized in the reporting period in which the services are provided. Counseling fees include amounts paid on behalf of the individual receiving the service by Medicare, Medicaid and insurance companies. Amounts requested for payment which have not been collected are included in receivables in the accompanying statement of financial position.

Annual benefit sponsorships are considered conditional contributions until the annual benefit takes place and therefore are not recognized until the annual benefit takes place. Accordingly, sponsorships for the annual benefit received in advance are recorded as deferred revenue in the accompanying statement of financial position.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statement of functional expenses. Expenses directly attributed to a specific functional area of Wendt Center are reported as expenses of those functional areas. Salaries are allocated to programs and supporting services based on employee timesheets. Fringe benefits are computed by multiplying direct salary to the estimated fringe rate, which is 17% for full time employees and 11% for part-time employees.

WILLIAM WENDT CENTER FOR LOSS AND HEALING

NOTES TO FINANCIAL STATEMENTS For the Year Ended September 30, 2019

1. Organization and Summary of Significant Accounting Policies (continued)

Functional Allocation of Expenses (continued)

Occupancy expense is allocated based on the number of employees employed by the respective departments. Other indirect costs such as telephone, supplies and office expenses, licenses, dues and subscriptions, insurance, printing and copying, postage and delivery, maintenance and repairs, depreciation and amortization, which cannot be charged directly to programs have been allocated among the various functional areas based on the salary charged to the functional area.

Donated Goods and Services

Donated goods and services are recognized as revenue and support and expenses in the accompanying statement of activities at their estimated fair value as provided by the donor at the date of donation. Donated goods and services primarily consist of supplies and materials and professional counseling services for the children's summer camp program as well as consulting services provided to the Wendt Center. During the year ended September 30, 2019, Wendt Center received donated goods and services that had an estimated fair value of \$157,200.

Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

New Accounting Pronouncement

On August 18, 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return for nonprofit organizations. Wendt Center has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to the summarized comparative information presented for the year ended September 30, 2018.

2. Receivables

All receivables are due within one year and were composed of the following as of September 30, 2019:

Grants and contracts receivable	\$ 762,166
Counseling fees receivable	<u>44,160</u>
Total Receivables, Net	<u>\$ 806,326</u>

All receivables are considered fully collectible.

WILLIAM WENDT CENTER FOR LOSS AND HEALING

NOTES TO FINANCIAL STATEMENTS For the Year Ended September 30, 2019

3. Property and Equipment

Property and equipment consisted of the following as of September 30, 2019:

Furniture and equipment	\$ 176,185
Leasehold improvements	<u>81,517</u>
Total Property and Equipment	257,702
Less: Accumulated Depreciation and Amortization	<u>(198,876)</u>
Property and Equipment, Net	<u>\$ 58,826</u>

Depreciation and amortization expense for the year ended September 30, 2019, was \$8,392.

4. Net Assets With Donor Restrictions

As of September 30, 2019, net assets with donor restrictions were restricted for the following purposes or period:

Subject to expenditure for specified purpose:	
Child Healing to Improve Learning and Development	<u>\$ 117,500</u>
Total Subject to Expenditure for Specified Purpose	<u>117,500</u>
Subject to passage of time:	
Time-restricted for general operations	<u>28,000</u>
Total Subject to Passage of Time	<u>28,000</u>
Total Net Assets With Donor Restrictions	<u>\$ 145,500</u>

5. Commitments, Contingencies and Risk

Operating Lease

On March 13, 2015, Wendt Center entered into an amendment to the noncancelable lease for its office space at 4201 Connecticut Avenue, N.W., to expand the leased premises, extend the lease term through March 31, 2023, and adjust the monthly base rent to \$19,187, effective October 1, 2015. On June 27, 2016, Wendt Center entered into another amendment to the noncancelable lease for its office space to expand the leased premises and to adjust the monthly base rent by \$4,006, effective October 1, 2016. Both leases provide for six months of rent abatement and contain a fixed escalation clause for increases in the annual minimum rent. Wendt Center is also responsible for its proportionate share of real estate taxes and operating and maintenance costs of the landlord. On July 2, 2019, Wendt Center entered into another amendment to the noncancelable lease for its office space at 4201 Connecticut Avenue, N.W., to extend the lease term through March 31, 2033, and adjust the monthly base rents effective April 1, 2023. Under the amended lease agreement, the leased premises were also expanded effective January 1, 2020. The amended lease provides for 12 months of 50% rent abatement on the original premises and 12 months of rent abatement for the expanded

WILLIAM WENDT CENTER FOR LOSS AND HEALING

NOTES TO FINANCIAL STATEMENTS For the Year Ended September 30, 2019

5. Commitments, Contingencies and Risk (continued)

Operating Lease (continued)

premises, and it also contains a fixed escalation clause for increases in the annual minimum rent. Additionally, under the terms of the lease, Wendt Center received an allowance of \$500,000 for building improvements as an incentive to enter into the lease agreement.

Wendt Center also entered into a noncancelable lease agreement for additional counseling space at 2401 Martin Luther King Jr. Avenue, S.E., which commenced on July 1, 2015, and expires on June 30, 2020. The agreement provides for a base rent of \$3,690 per month. The lease contains a fixed escalation clause for increases in the annual minimum rent. Wendt Center is also responsible for its proportionate share of real estate taxes and operating and maintenance costs of the landlord. On June 10, 2020, Wendt Center entered into an amended lease agreement to extend the period of the lease through June 30, 2022.

Under GAAP, all fixed rent increases, less any rental abatements, are recognized on a straight-line basis over the term of the lease. The difference between rent paid and rent expensed is reflected as deferred rent in the accompanying statement of financial position.

Total rent expense was \$370,043 for the year ended September 30, 2019.

As of September 30, 2019, future minimum lease payments required under these operating leases were as follows:

For the Year Ending September 30,	
2020	\$ 343,308
2021	403,896
2022	444,101
2023	374,761
2024	394,007
Thereafter	<u>4,914,659</u>
Total	<u>\$ 6,874,732</u>

Revenue Concentration Risk

Wendt Center receives a significant amount of funding from federal and local government agencies. These sources of revenue represented 54% of total revenue and support for the year ended September 30, 2019. A significant reduction in the level of support from the federal or local government agencies could reduce the quantity of programs and activities the Wendt Center can offer.

Compliance Audit

Wendt Center has received federal grants that are subject to review, audit and adjustment by various federal agencies for both qualifying expenses charged to the grants. Such audits could lead to requests for reimbursement to the federal agencies for any expenditures or

WILLIAM WENDT CENTER FOR LOSS AND HEALING

NOTES TO FINANCIAL STATEMENTS For the Year Ended September 30, 2019

5. Commitments, Contingencies and Risk (continued)

Compliance Audit (continued)

claims disallowed under the terms of the agreements. The amount of expenditures which may be disallowed by the federal agencies cannot be determined at this time although Wendt Center expects such amounts, if any, to be insignificant.

6. Availability and Liquidity

Wendt Center regularly monitors liquidity required to meet its annual operating needs and other contractual commitments. Wendt Center's financial assets available within one year of the statement of financial position date for general expenditures at September 30, 2019, were as follows:

Cash and cash equivalents, net of overdraft	\$ 75,859
Receivables	<u>806,326</u>
Total Financial Assets	882,185
Less amounts not available to be used within one year:	
Net assets with donor restrictions	<u>(145,500)</u>
Financial Assets Available to Meet General Expenditures Over the Next Twelve Months	<u>\$ 736,685</u>

Wendt Center has various sources of liquidity at its disposal, including cash and cash equivalents and receivables, which are available for general expenditures, liabilities and other obligations as they come due. Wendt Center's working capital and cash flows primarily come from grants and contributions, annual benefit revenue and counseling fees that are received at various time throughout the year. Management is focused on sustaining the financial liquidity of Wendt Center throughout the year. This is done through monitoring and reviewing Wendt Center's cash flow needs on a regular basis. As a result, management is aware of the cyclical nature of Wendt Center's cash flows related to its various funding sources and is therefore able to ensure that there is cash available to meet current liquidity needs. To help manage unanticipated liquidity needs, Wendt Center has a committed line of credit of \$300,000, which was unused and available to draw upon as of September 30, 2019.

7. Retirement Plan

Wendt Center has a defined contribution pension plan (the Plan), which operates under Section 403(b) of the Internal Revenue Code (the IRC). Employees are eligible upon hire to participate in the plan with voluntary pre-tax salary deferrals. Wendt Center's contributions to the Plan are discretionary. Wendt Center provides a 5% matching contribution to all employees who complete one year of service and at least 1,000 hours in a plan year. Wendt Center contributed \$74,786 to the Plan for the year ended September 30, 2019, which is included in personnel benefits in the accompanying statement of functional expenses.

WILLIAM WENDT CENTER FOR LOSS AND HEALING

NOTES TO FINANCIAL STATEMENTS For the Year Ended September 30, 2019

8. Line of Credit

Wendt Center had a revolving line of credit agreement with a financial institution that has a borrowing limit of \$300,000, which is renewable annually. Funds drawn against this line of credit accrue interest at a variable rate based on the prime rate established by the bank plus 2%. As of September 30, 2019, the interest rate was 5%. As of and for the year ended September 30, 2019, there was no outstanding balance and there were no borrowings on the line of credit.

9. Prior Year Summarized Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with Wendt Center's financial statements for the year ended September 30, 2018, from which the summarized information was derived.

10. Income Taxes

Wendt Center is exempt from federal taxes on income other than net unrelated business income under Section 501(c)(3) of the IRC. Wendt Center did not have any significant unrelated business income for the year ended September 30, 2019. Accordingly, no provision for income taxes has been included in the accompanying financial statements.

Wendt Center has adopted the authoritative guidance relating to accounting for uncertainty in income taxes included in FASB Accounting Standards Codification *Topic 740, Income Taxes*. These provisions provide consistent guidance for the accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribe a threshold of "more likely than not" for recognition and derecognition of tax positions taken or expected to be taken in a tax return. Wendt Center evaluated its uncertainty in income taxes for the year ended September 30, 2019, and determined that there were no matters that would require recognition in the financial statements or that may have any effect on its tax-exempt status; and there are currently no examinations pending or in progress. It is Wendt Center's policy to recognize interest and/or penalties related to uncertainty in income taxes, if any, in income tax or interest expense. As of September 30, 2019, Wendt Center had no accruals for interest and/or penalties.

11. Reclassifications

Certain 2018 amounts have been reclassified to conform with the 2019 presentation.

WILLIAM WENDT CENTER FOR LOSS AND HEALING

NOTES TO FINANCIAL STATEMENTS For the Year Ended September 30, 2019

12. Subsequent Events

In preparing these financial statements, Wendt Center has evaluated events and transactions for potential recognition or disclosure through February 19, 2021, the date the financial statements were available to be issued. Except for subsequent events as disclosed below and in Note 5, under operating leases, there were no subsequent events that require recognition or disclosure in these financial statements.

In March 2019, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic that continues to spread throughout the United States and international communities. The Center has been able to operate remotely and is monitoring the outbreak of COVID-19 and the related business and travel restrictions and changes to behavior intended to reduce its spread, in addition to the impact on its employees. Due to the rapid development and fluidity of this situation, the magnitude and duration of the pandemic and its impact on Wendt Center's operations and liquidity is uncertain as of the date of this report. While there could ultimately be a material impact on operations and liquidity of Wendt Center, at the time of issuance, the impact could not be determined.

On April 20, 2020, Wendt Center's Small Business Administration loan application for the amount of \$528,162 was approved by a financial institution. The loan will mature in April 2022 with a fixed interest rate at 1% per annum. Consecutive monthly payments of principal of approximately \$31,000 plus interest at 1% will commence one month after the earlier of the following dates: (1) the date the financial institution receives the applicable forgiveness amount from the SBA; or (2) the date that is 10 months after the end of the forgiveness covered period, through the maturity date. The loan amount may be eligible for forgiveness pursuant to the Paycheck Protection Program, which requires a majority of the loan funds are to be used to cover payroll costs and the remainder is used for mortgage interest, rent and utility costs over a period after the loan is made, and the number of employees and compensation level are maintained.

**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 the
William Wendt Center for Loss and Healing

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 the William Wendt Center for Loss and Healing (Wendt Center), which comprise the statement of financial position as of September 30, 2019, 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 19, 2021. Our report was qualified due to the inadequacy of certain accounting records, and we were unable to obtain sufficient, appropriate audit evidence regarding the amount of counseling revenue (stated at \$390,399) and the associated bad debt expense (stated at \$438,639) included in the statement of activities.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2019-001 that we consider to be a material weakness.

Continued
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Compliance and Other Matters

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

The Organization's Response to Finding

Wendt Center's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Wendt Center's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of This Report

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

Marcum LLP

Washington, DC
February 19, 2021

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

To the Board of Directors of the
William Wendt Center for Loss and Healing

Report on Compliance for Each Major Federal Program

We have audited the William Wendt Center for Loss and Healing's (Wendt Center) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Wendt Center's major federal programs for the year ended September 30, 2019. Wendt Center's major federal program is identified in the summary of auditors' 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.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for Wendt Center'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 Wendt Center's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Continued
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Opinion on Each Major Federal Program

In our opinion, Wendt Center complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2019.

Report on Internal Control Over Compliance

Management of Wendt Center is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Wendt Center's internal control over compliance with the types of requirements that could have a direct and material effect on Wendt Center's major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for Wendt Center's major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Wendt Center's internal control over compliance.

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

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

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

Marcum LLP

Washington, DC
February 19, 2021

WILLIAM WENDT CENTER FOR LOSS AND HEALING
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended September 30, 2019

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. DEPARTMENT OF JUSTICE				
<i>Pass-through from DC Office of Victim Services</i> Crime Victim Assistance	16.575	2019-VOCA-13	\$ -	\$ 1,557,319
<i>Pass-through from DC Office of Victim Services</i> Crime Victim Assistance/Discretionary Grants	16.582	2019-SMSV-004	-	23,463
Total U.S. Department of Justice			-	1,580,782
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
<i>Pass-through from DC Department of Health</i> Maternal and Child Health Services Block Grant to the States	93.994	CHA.PSMB.WC.122015	-	299,731
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	6U79SM063267-02M003	-	390,536
Total U.S. Department of Health and Human Services			-	690,267
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ -	\$ 2,271,049

See accompanying notes to this schedule.

WILLIAM WENDT CENTER FOR LOSS AND HEALING

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS For the Year Ended September 30, 2019

1. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying schedule of expenditures of federal awards (SEFA) includes the federal award activity of Wendt Center under programs of the federal government for the year ended September 30, 2019. The information on the SEFA 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 SEFA presents only a selected portion of the operations of Wendt Center, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Wendt Center.

2. Summary of Accounting Policies

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

3. Indirect Cost Rate

Wendt Center has elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

WILLIAM WENDT CENTER FOR LOSS AND HEALING

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended September 30, 2019

SECTION I – SUMMARY OF AUDITORS' RESULTS

Financial Statements

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

_____ Unmodified X Qualified
_____ Adverse _____ Disclaimer

Internal control over financial reporting:

- Material weakness(es) identified? X Yes _____ No
- Significant deficiency(ies) identified? _____ Yes X None Reported

Noncompliance material to financial statements
noted?

_____ Yes X No

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified? _____ Yes X None Reported

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

 X Unmodified _____ Qualified
_____ Adverse _____ Disclaimer

Any audit findings disclosed that are required to be
reported in accordance with 2 CFR, 200 516(a)?

_____ Yes X No

Identification of Major Federal Program:

<u>CFDA Number</u>	<u>Program Title</u>
16.575	Crime Victim Assistance

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

Auditee qualified as a low-risk auditee? X Yes _____ No

Continued

WILLIAM WENDT CENTER FOR LOSS AND HEALING

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended September 30, 2019

(continued)

SECTION II – FINDINGS – FINANCIAL STATEMENT AUDIT

Finding No. 2019-001: Recording of Counseling Revenue and Receivables – Material Weakness in Internal Control Over Financial Reporting

Criteria: In order to ensure complete, accurate and timely financial information, it is important to establish internal control procedures to ensure that there is appropriate segregation of duties related to depositing the cash receipts and recording the cash receipts in the program used to bill for counseling revenue and the accounting system. In order to facilitate the accuracy and timeliness of Wendt Center's monthly and year-end closing procedures, it is important that the Wendt Center's procedures ensure payments received related to the counseling revenue are properly applied to the respective receivable, that the counseling revenue is accurately recorded, and that the related receivables are recorded at the expected net realizable value on a timely basis.

Condition and Context: Wendt Center was required to provide several adjustments to adjust counseling revenue and the related receivable which included an adjustment for approximately \$560,000 to write-off old receivables which were not timely followed up on or where the payment was incorrectly applied in the program used to bill and track the counseling revenue and although it was collected it showed in the system as an uncollectible receivable and was written off.

Cause: Turnover at the CFO level and the lack of internal control procedures documenting how things were performed previously led to issues with properly recording counseling revenue and the related receivables. In addition, as Wendt Center was short-staffed, Wendt Center was unable to follow up on the outstanding receivables or ensure that the cash receipts were properly input into the counseling revenue software.

Effect: This condition led to a delay in the completion of the annual audit. In addition, it led to Wendt Center writing off accounts receivable that may have been collectible if the outstanding amounts had been followed up on timely as well as amounts that were written off but were actually collected but incorrectly applied in the counseling revenue program.

Repeat Finding: No.

Recommendation: We recommend Wendt Center establish internal control procedures to ensure that there is appropriate segregation of duties related to depositing the cash receipts and recording the cash receipts in the program used to bill for counseling revenue and accounting system. In addition, we recommend Wendt Center establish internal control

WILLIAM WENDT CENTER FOR LOSS AND HEALING

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended September 30, 2019

(continued)

SECTION II – FINDINGS – FINANCIAL STATEMENT AUDIT (CONTINUED)

Finding No. 2019-001: Recording of Counseling Revenue and Receivables – Material Weakness in Internal Control Over Financial Reporting (continued)

Recommendation

(continued):

procedures to ensure that payments received related to the counseling revenue are properly applied to the related receivable, counseling revenue is properly recorded in the accounting system on a monthly basis and that outstanding receivables are followed up on in a timely manner.

Views of Responsible

Officials and Planned

Corrective Actions:

During the year ended September 30, 2019, the Wendt Center experienced unexpected turnover in positions that were responsible for overseeing the reconciliation of counseling revenue on the financial statements. Management determined there was a need to reconcile this account in its entirety and decided to hire an experienced consultant in this field to analyze all open claims and update the configuration of the system to more accurately track and report revenue associated with counseling services. Management also held conversations with InSync, the counseling service billing system, to determine the best reports to utilize in order to accurately report revenue associated with counseling services. There is now a system in place to track, record, reconcile, and report counseling revenue accurately. Moving forward, management will review the account on a quarterly basis to avoid misstatement in the future. On a weekly basis, Wendt Center reviews all entries for services provided from the beginning of the fiscal year through the prior week to ensure all services have been captured and invoiced. After billings are generated, Wendt Center then reviews all open claims for any that have been returned as rejected. The rejected claims are adjusted as necessary and resubmitted. As insurance receipts are received that are posted against the related claims. Remits are reviewed for denials and are subsequently assessed to see if re-billings can occur. If rebilling is possible, this occurs immediately. If the claim cannot be salvaged then it is written off. All self-pay and co-payments are posted against claims on a weekly basis. Wendt Center has worked with Insync to configure counseling service reports that provide the necessary information to properly record revenue on a monthly basis according to date of service and the allowable contract amount. On a recurring basis, management will review the recognized revenue for reasonableness and assess the outstanding accounts receivable balance to determine if any collectability issues need to be addressed.

WILLIAM WENDT CENTER FOR LOSS AND HEALING

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended September 30, 2019

(continued)

**SECTION III – FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS
AUDIT**

None required to be reported.

SECTION IV – STATUS OF PRIOR YEAR FINDINGS

Financial Statement Audit Findings

None required to be reported.

Major Federal Award Programs Audit Findings and Questioned Costs

None required to be reported.



February 22, 2021

Daniza Medina
Grants Management Specialist
Executive Office of the Mayor | Office of Victim Services and Justice Grants
441 4th Street NW, Suite 727N | Washington, DC 20001

Dear Ms. Medina,

William Wendt Center for Loss and Healing (Wendt Center) submits the following corrective action plan for the year ended September 30, 2019.

Independent Public Accounting Firm:
MARCUM LLP
1899 L Street NW, Suite 850
Washington, DC 20036

Audit period: The findings from the September 30, 2019 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

SECTION II – FINDINGS – FINANCIAL STATEMENT AUDIT

Finding No. 2019-001: Recording of Counseling Revenue and Receivables – Material Weakness in Internal Control Over Financial Reporting

Criteria: In order to ensure complete, accurate and timely financial information, it is important to establish internal control procedures to ensure that there is appropriate segregation of duties related to depositing the cash receipts and recording the cash receipts in the program used to bill for counseling revenue and the accounting system. In order to facilitate the accuracy and timeliness of Wendt Center's monthly and year-end closing procedures, it is important that the Wendt Center's procedures ensure payments received related to the counseling revenue are properly applied to the respective receivable, that the counseling revenue is accurately recorded, and that the related receivables are recorded at the expected net realizable value on a timely basis.

Condition and Context: Wendt Center was required to provide several adjustments to adjust counseling revenue and the related receivable which included an adjustment for approximately \$560,000 to write-off old receivables which were not timely followed up on or where the payment was incorrectly applied in the program used to bill and track the counseling revenue and although it was collected it showed in the system as an uncollectible receivable and was written off.

Cause: Turnover at the CFO level and the lack of internal control procedures documenting how things were performed previously led to issues with properly

4201 Connecticut Ave NW, Suite 300, Washington, DC 20008 • www.wendtcenter.org
Tel: 202.624.0010 • Fax: 202.624.0062
2041 Martin Luther King Jr. Ave SE, Suite 234, Washington, DC 20020
Tel: 202.610.0066 • Fax: 202.610.0669



recording counseling revenue and the related receivables. In addition, as Wendt Center was short-staffed, Wendt Center was unable to follow up on the outstanding receivables or ensure that the cash receipts were properly input into the counseling revenue software.

Effect: This condition led to a delay in the completion of the annual audit. In addition, it led to Wendt Center writing off accounts receivable that may have been collectible if the outstanding amounts had been followed up on timely as well as amounts that were written off but were actually collected but incorrectly applied in the counseling revenue program.

Repeat Finding: No.

Recommendation: We recommend Wendt Center establish internal control procedures to ensure that there is appropriate segregation of duties related to depositing the cash receipts and recording the cash receipts in the program used to bill for counseling revenue and accounting system. In addition, we recommend Wendt Center establish internal control

SECTION II – FINDINGS – FINANCIAL STATEMENT AUDIT (CONTINUED)

Finding No. 2019-001: Recording of Counseling Revenue and Receivables – Material Weakness in Internal Control Over Financial Reporting (continued)

Recommendation
(continued):

procedures to ensure that payments received related to the counseling revenue are properly applied to the related receivable, counseling revenue is properly recorded in the accounting system on a monthly basis and that outstanding receivables are followed up on in a timely manner.

Views of Responsible
Officials and Planned
Corrective Actions:

During the year ended September 30, 2019, the Wendt Center experienced unexpected turnover in positions that were responsible for overseeing the reconciliation of counseling revenue on the financial statements. Management determined there was a need to reconcile this account in its entirety and decided to hire an experienced consultant in this field to analyze all open claims and update the configuration of the system to more accurately track and report revenue associated with counseling services. Management also held conversations with InSync, the counseling service billing system, to determine the best reports to utilize in order to accurately report revenue associated with counseling services. There is now a system in place to track, record, reconcile, and report counseling revenue accurately. Moving forward, management will review the account on a quarterly basis to avoid misstatement in the future. On a weekly basis, Wendt Center reviews all entries for services provided from the beginning of the fiscal year through the prior week to ensure all services have

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been captured and invoiced. After billings are generated, Wendt Center then reviews all open claims for any that have been returned as rejected. The rejected claims are adjusted as necessary and resubmitted. As insurance receipts are received that are posted against the related claims. Remits are reviewed for denials and are subsequently assessed to see if re-billings can occur. If rebilling is possible, this occurs immediately. If the claim cannot be salvaged then it is written off. All self-pay and co-payments are posted against claims on a weekly basis. Wendt Center has worked with Insync to configure counseling service reports that provide the necessary information to properly record revenue on a monthly basis according to date of service and the allowable contract amount. On a recurring basis, management will review the recognized revenue for reasonableness and assess the outstanding accounts receivable balance to determine if any collectability issues need to be addressed.

If the US Department of Justice has questions regarding this plan, please call Michelle Palmer, Executive Director, at 202-204-5019.

Michelle Palmer, LICSW
Executive Director
February 22, 2021