

ANNUAL AUDITED  
**FINANCIAL REPORT**

YEARS ENDED JUNE 30, 2022 AND 2021

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### FINANCIAL

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## Independent Auditor's Report

Board of Directors  
Quality Home Care Services Inc.  
Charlotte NC

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the accompanying financial statements of Quality Home Care Services, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Quality Home Care Services Inc. (the Organization) as of June 30, 2022 and 2021, and the results of its operations, changes in its net assets, and its cash flows, for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards (GAAS) and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated July 31, 2023, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the effectiveness of the Organization'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 the Organization's internal control over financial reporting and compliance.

  
Charlotte, North Carolina  
July 31, 2023



Quality Home Care Services Inc.  
Statement of Financial Position  
June 30, 2022 and 2021

	<b>2022</b>	<b>2021</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 602,092	\$ 2,065,294
Accounts Receivable	670,751	259,881
Prepaid Expenses	15,653	132,830
Property and Equipment, net	94,595	66,463
Security Deposits	24,518	24,518
Construction Upfitting In Progress	333,938	
Sales Tax Receivables	12,346	6,369
	<u>1,753,894</u>	<u>2,555,355</u>
<b>Total Assets</b>	<u>1,753,894</u>	<u>2,555,355</u>
<b>Liabilities and net assets</b>		
<b>Liabilities</b>		
Accounts Payable	\$ 200,050	\$ 154,991
Accrued Payroll and Taxes	58,093	
Short-term Liabilities		33,417
Long-term Liabilities-current portion	5,500	
Deferred Revenue	21,247	964,869
Leases payable - current portion		12,855
Lease payable		24,589
Long Term Debt	144,400	318,591
Director Loans	25,019	50,177
	<u>454,309</u>	<u>1,559,488</u>
<b>Total Liabilities</b>	<u>454,309</u>	<u>1,559,488</u>
<b>Net assets:</b>		
Without donor restrictions	1,299,585	995,867
	<u>1,299,585</u>	<u>995,867</u>
<b>Total Liabilities &amp; Net Assets</b>	<u>1,753,894</u>	<u>2,555,355</u>

Quality Home Care Services Inc.  
Statement of Activities  
Years Ended June 30, 2022 and 2021

	2022	2021
<b>Support and Revenues</b>		
<b>Revenues</b>		
Covid 19 Support Services	\$ 229,800	\$ 6,895,795
Medicaid	1,302,606	1,359,338
Medicaid-SACOT	308,866	
GBHI	446,568	555,394
OIFSP	225,469	
SPNS	382,392	
CDC	349,350	
RWC	258,576	
Other Grants	235,267	1,515,388
340B Program Revenues	862,509	976,597
Total Revenues	<u>4,601,402</u>	<u>11,302,512</u>
<b>Support and other revenue</b>		
Lab, Copays, and Other Fees	10,651	393,990
Individual and Corporate Contributions	8,100	
In-kind Contributions	2,327	
PPP Loan Forgiveness	188,400	
Total support and other revenues	<u>209,477</u>	<u>393,990</u>
Total Support	<u>4,810,879</u>	<u>11,696,501</u>
<b>Expenses</b>		
Program Services	4,170,573	10,263,902
Management & General	336,588	628,413
Total Expenses	<u>4,507,161</u>	<u>10,892,315</u>
Change in net assets without donor restrictions	303,718	804,186
Net Assets - Beginning of Year	<u>995,867</u>	<u>191,681</u>
Net Assets - End of Year	<u>1,299,585</u>	<u>995,867</u>

The accompanying notes are an integral part of these financial statements

Quality Home Care Services Inc.  
Statement of Functional Expenses  
July 2021 through June 2022

	Program Services									Management and General	Totals	
	COVID 19 SSP	PCS	GBHI	CDC	SACOT	SPNS	RWA	RWC	340B			Others
340B Subcontractors									69,453			69,453
Cable/Internet			3,760	2,200		1,053	63	1,045	382	1,053	562	10,118
Client Assistance			6,515	1,979	3,064	2,627	180	1,992	1,820	1,370	5,163	24,710
Computer Equipment& Software				100	100	300			16,479	100	1,430	6,855
Computer Repair												26,445
Contract Labor-Admin-Other			4,205	758		830			1,500	35,467	21,381	64,141
Contract Services			73		4,584	781			8,400	980	38,575	53,393
Copays/Med Cost - pd by 340B									4,943			4,943
COVID-19 Support	231,987											231,987
Depreciation Exp											11,868	11,868
DIR/GER Fees									71,956			71,956
Drug Costs									495,626			495,626
Dues & Subscriptions			3,964		2,505	1,569			40	5,035	7,475	20,588
EHR/Website Hosting			3,901	636	4,297	8,067	7,464		10,640	14,253	2,521	51,779
Equip Rental and Maintenance			8,886	3,094	4,494	3,094	2,660			2,412	3,773	28,412
Grant Writing & Evaluator					10,969	4,563					10,300	25,831
Incentives			500	7,700	400	676			1,000	1,955		12,232
Insurance			10,446	12,944	13,479	8,510	382	2,508	119	15,717	7,356	71,461
Interest & Finance Charges			21		87	268				268	4,382	5,026
Lab Services & Testing Supplies	1,600		37	8,755	172	11		50,117	50	16,557	4,569	81,868
Marketing				22,525	30	728			217	715	5,542	29,757
Medical Director				8,333		1,585			8,081			18,000
Medical Supplies & Supplements			2,779	4,943	324	37			702	4,383	133	13,301
Occupancy Expense			27,280	24,300	3,897	3,600	2,250	9,233		17,423		87,983
Office Expenses			2,020	4,450	1,600	2,101		1,306	695	1,944	11,864	25,980
Payroll Contract Services					13,973		5,515		7,500	17,927	5,893	50,807
Payroll Service Fees			824			1,189				1,034	5,625	8,673
Payroll Taxes		92	16,732	19,953	12,443	15,282	3,608	10,579	2,429	17,490	4,405	103,013
PCS Contractor (4C)		1,323,152										1,323,152
Professional Services			8,357		184	1,818				3,118	5,811	19,288
Rent-Storage Unit				1,622	3,315				650		6,914	12,501
Repair & Maintenance			20	1,320	1,178	130				201	5,957	8,806
Salaries-Admin			6,585			8,929				8,929	102,771	127,215
Salary & Wages		1,044	213,279	224,006	135,319	185,961	43,387	125,591	8,105	209,471	9,180	1,155,342
Supplies		1,001	345	1,804	159	591	118	482			9,258	13,758
Telephone & Answering Service			1,380				4		608		11,486	13,478
Trainee Tuition & Stipends						600				80,310		80,910
Training Consultant			110		55	225			55	4,000		4,445
Travel & Conference Expense			474	543	3,685	565	142			5,412		10,821
Utilities			6,639	1,844	359	1,118		919	280	1,047	522	12,729
	<u>233,587</u>	<u>1,325,288</u>	<u>329,132</u>	<u>353,810</u>	<u>220,671</u>	<u>256,809</u>	<u>65,771</u>	<u>229,034</u>	<u>686,568</u>	<u>469,903</u>	<u>336,588</u>	<u>4,507,161</u>

The accompanying notes are an integral part of these financial statements

Quality Home Care Services Inc.  
Statement of Functional Expenses  
July 2020 through June 2021

	Program Services								Management and General	Totals		
	COVID 19 SSP	PCS	GBHI	CDC	SACOT	SPNS	RWC	340B			Others	
Answering Service	3,096									-	7,338	10,435
COVID-19 Support - Family	4,955,681									-		4,955,681
COVID-19 Support - Individual	734,629									-		734,629
COVID-19 Food & PPE Items	1,246,230									-		1,246,230
COVID-19 Subcontractors	59,764									-	17,121	76,884
COVID-19 Vendor/Employee Exp	43,922									-	1,443	45,365
COVID-19 Administrator Exp	13,903									-	27	13,930
Bank Service Charge	72						10			-	3,464	3,545
Cable/Internet	3,834		4,474	4,758						262	1,119	14,709
Client Assistance- Passes/Phones		895	4,330	1,738	83	1,096	1,849			1,413		11,683
Client Assistance			555	487	651	3,258				50	587	5,588
Computer Equipment			1,600	1,163		1,600				-	800	5,163
Computer Repair			208	408			783	408		-	7,876	9,681
Computer Software							894			-	1,388	2,281
Conference, Convention, Meeting			5,846	1,287		2,750				1,875	17	11,775
Contract Labor	9,516		7,070		852			3,596		-	113,233	134,267
Contract Services	4,216	1,292,907		4,000	89,397			69,357	16,626		10,275	1,486,778
Depreciation Exp										-	8,011	8,011
DIR/GER Fees/Copays							28,419					28,419
Drug Costs							258,407					258,407
Dues & Subscriptions	5,190	20		385	1,978		273	2,078		8,833		18,756
EHR/Website Hosting			13,300	2,834	3,925	8,333	3,500	11,376	6,250	4,029		53,547
Equip Rental and Maintenance	12,884		6,247	5,685						-	12,593	37,409
Flowers & Gifts				1,000						-	2,838	3,838
Incentives			255	750	300	1,626		300		-		3,231
Insurance	51		1,554	290	414	1,337	478		65	12,017		16,206
Insurance - Liability, D and O	16,765			428	11,664		207			-	25,895	54,960
Insurance - Health			12,682	52	11,079	2,871	4,896		2,741	5,803		40,125
Interest/Finance Charges					38		48			-	2,719	2,805
Janitorial Exp	137					500	3,094			-	826	4,557
Lab Services							28,261	9,774	14,354		6,158	58,547
Lawn Care	1,675			1,060						-	3,280	6,015
Licensing	940						5,626			-	185	6,751
Legal Fees		7,500	234						3,134	11,489		22,357
Marketing - Program related	1,837		1,842	10,004		1,569	2,225		501	10,343		28,320
Medical Director				1,500		3,450	13,050			-		18,000
Medical Supplies				2,837			9,805	19,665	3,972	6,551		42,830
Meeting Expense			159	161	50				50	4,939		5,358
Office Expense	127		84	849	3				17	1,451		2,530

The accompanying notes are an integral part of these financial statements

Quality Home Care Services Inc.  
Statement of Functional Expenses  
July 2020 through June 2021

	Program Services								Management and General	Totals	
	COVID 19 SSP	PCS	GBHI	CDC	SACOT	SPNS	RWC	340B			Others
Office Supplies	2,997	38	1,976	993	289	2,315	168		399	14,249	23,423
Operations - Admin Cost	152		1,225	5,191	258		9,001		-	140	15,967
Other Program Expenses	3,654		364	4,908	55		3,607		1,500	753	14,840
Payroll expenses - Admin				317					-	516	833
Payroll Service Fees	5,782						549		-	1,843	8,175
Payroll tax exp-SS		943	5,316	8,761	4,095	8,290	11,231		6,580	5,013	50,229
Payroll Taxes-Medicare		220	3,582	2,049	958	1,939	2,627		1,941	1,172	14,488
Payroll Taxes-SUTA		180	1,927	1,675	767	3,717	736		1,630		10,632
Payroll Taxes-employer expense									-	9,025	9,025
PCS Contractor (4C)									-	61,200	61,200
Postage, Mailing Service	531		52				100		100	544	1,327
Printing and Copying	5,461								-	2,279	7,740
Professional Services			19,992	4,998		4,087		2,300	4,867	3,755	39,999
Rent	24,776	475	25,855	23,508	7,299	8,000	20,015		18,541	8,576	137,046
Repair & Maintenance				1,751	423		39,533	320	-	1,590	43,617
Salary & Wages		15,095	180,881	94,298	72,349	103,709	146,764		70,466	209,950	893,513
Security Expense	867		269	1,004					-	944	3,084
Supplies - Program & PPE				4,648			5,701		291		10,640
Supplies-Testing				4,710	130				-	5,298	10,138
Telephone	612		420	1,111					-	6,629	8,772
Training & Education				363		5,313			3,334		9,010
Travel & Meetings			1,325	164	2,010	55	255		629	174	4,612
Utilities	3,233	10	4,768	5,079			2,356		814	2,117	18,377
Volunteer Stipends				6,022					-		6,022
	<u>7,162,533</u>	<u>1,318,282</u>	<u>308,393</u>	<u>213,227</u>	<u>209,067</u>	<u>165,815</u>	<u>317,369</u>	<u>404,195</u>	<u>164,478</u>	<u>628,413</u>	<u>10,892,315</u>

Quality Home Care Services Inc.  
Statement of Cash Flows  
Years Ended June 30, 2022 and 2021

	2022	2021
<b>Operating activities</b>		
Net Income	\$ 315,586	\$ 804,186
Adjustments to reconcile net income to net cash provided by operating activities		
Accumulated Depreciation	134,687	82,286
Grants Receivable	(573,740)	(171,073)
Due From Related Party	(97,011)	(88,808)
Employee Advance		(235)
Prepaid Expenses	(15,653)	(132,595)
Accounts Payable	249,166	154,991
Accrued Expense	26,137	(203,663)
Accrued Payroll	31,957	33,417
Lease Payable - current portion		12,855
Deferred Revenue	30,285	1,227,468
Total Adjustments	<u>(214,174)</u>	<u>914,642</u>
Net cash provided by operating activities	<u>101,413</u>	<u>1,718,828</u>
<b>Investing activities</b>		
Used For		
Sales & Use Tax	(12,346)	(6,369)
Furniture & Equipment	(24,139)	(19,139)
Building & Improvements	(60,833)	(60,833)
Leasehold Improvements	(14,527)	(14,527)
Office Equipment	(31,018)	(31,018)
Software	(5,904)	(5,904)
Vehicles	(92,861)	(17,329)
Security Deposits	(24,518)	(24,518)
Construction Upfitting In Progress	(333,938)	
Net cash used by investing activities	<u>(600,084)</u>	<u>(179,636)</u>
<b>Financing activities</b>		
Proceeds From		
Loan from Director	25,019	50,177
Lease Payable - Long-Term		24,589
Long Term Debt	149,900	318,591
Used For		
Beginning Balance Equity	925,845	132,745
Net cash used by financing activities	<u>1,100,764</u>	<u>526,102</u>
Cash & cash equivalents at year end	<u>\$ 602,092</u>	<u>\$ 2,065,294</u>
Change in cash & cash equivalents	\$ (1,463,202)	\$ 1,764,325
Cash & cash equivalents at Beg	2,065,294	300,969
Cash & cash equivalents at end of year	<u>\$ 602,092</u>	<u>\$ 2,065,294</u>

Interest Exp \$2,805

**QUALITY HOME CARE SERVICES INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2022 and 2021**

**1. NATURE OF ACTIVITIES**

Quality Home Care Services Inc. (a nonprofit organization) is a North Carolina nonprofit organization established in 2005 in North Carolina. This comprehensive health care center was organized to provide personal care services to individuals with Mental Health, Developed Disabilities (MH/DD), Substance Abuse, and HIV/AIDS Prevention and Care Services. All programs of the Organization promote wellness and health equity for those living with mental and health disparities.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Accounting**

The accompanying financial statements of the Organization have been prepared on the accrual basis of accounting and in accordance with generally accepted accounting principles in the United States of America. Revenues are recognized when earned and expenses are recognized when incurred.

**Basis of Presentation**

The financial statements are prepared in accordance with Financial Accounting Standards Board (FASB) in its Accounting Standards Codification (ASC) Topic 958, Not-for-Profit Entities. In accordance with these standards, net assets, revenues, expenses, gains and losses classified based on the existence or absence of donor-imposed restrictions. Under FASB ASC 958, the Organization is required to report information regarding its financial position and activities according to two classes:

*Net Assets Without Donor Restrictions*

Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Program. These net assets may be used at the discretion of the Programs' management and board of trustees.

*Net Assets With Donor Restrictions*

Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. There were no donor restricted assets for the period.

**Use of estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts and disclosures contained in the financial statements. Actual results could differ from those amounts.

**Cash and Cash Equivalents**

For the purpose of the statement of cash flows, the organization's cash and cash equivalents consist of cash in interest and non-interest-bearing depository accounts. The Organization considers investments with original maturities of three months or less when purchased to be cash equivalents. The Organization maintain several bank accounts covered by the Federal Deposit Insurance Company (FDIC). At times throughout the year, the Organization may maintain bank account balances in excess of the FDIC insured limit of \$250,000.

**Revenue Recognition**

The organization receives substantially all of its revenue for services provided and discount products from government agencies. These revenues are based on predetermined rates based on cost reimbursement principles and are subject to audit and retroactive adjustments. Revenue is recognized as earned from third parties when the service has been performed and is reported at the estimated net realized amounts. Revenue from contracts is recognized as earned when contract expenses are incurred to the maximum allowed for each contract award.



**QUALITY HOME CARE SERVICES INC.  
NOTES TO THE FINANCIAL STATEMENTS**

The Organization operates the 340B Program from two pharmacy sites that provide medication to individuals living with HIV. The Organization is a covered entity in the U.S. Department of Health and Human Services, Health Resources and Services Administration, Office of Pharmacy Affairs and participates in the 340B Drug Pricing Program (340B Program) whereby medications are purchased by a qualified third-party pharmacy company for the Organization's clients at a discounted price, resulting in revenue for the Organization based on these savings. The intent of the 340B program is to permit the covered entity to stretch scarce federal resources as far as possible, reaching more eligible patients and providing more comprehensive services. Revenues from the 340B Program and related expenses are included in revenues and support and program services expense, respectively, in the accompanying statements of activities. This program revenue is recognized at a point in time.

**Contractual Services**

The Organization's contract services are provided by other organizations under subcontract arrangements with the Organization. The revenue and related costs of these contractual services are reflected in the accompanying statements of activities and the accompanying schedules of functional expenses.

**Furniture, Fixture, Vehicles and Equipment**

The Organization capitalizes all acquisitions of property and equipment in excess of \$1,000 and all expenditures for repairs, maintenance and improvements that significantly prolong the useful lives of the assets. Furniture, fixture, vehicles and equipment are carried at cost when purchased or at estimated fair market value at time of donation. Depreciation is provided on a straight-line basis over the estimated useful lives of the respective assets, generally three to ten years for equipment, furniture and fixture.

The cost of repairs and maintenance are charged to expense when incurred. Property and equipment are reviewed on a regular basis for impairment or whenever events or changes in business circumstances indicate the carrying value of the assets may not be recoverable. Impairment losses are recognized if expected future cash flows from the assets are less than their carrying values. No impairment losses were recognized during the period ended June 30, 2022.

**Construction Upfitting Improvements**

Construction upfitting improvements are stated at cost net of depreciation, which is computed using the straight-line method over the estimated useful service life of the improvements – 40 years of remaining useful life.

**Donated Services**

The Programs receive an immaterial amount of services donated by volunteers in carrying out the Organization's purpose. Volunteer stipends are paid by the organization and is reflected in the financial statements for those services.

**Income Taxes**

The Organization is a nonprofit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes. Contributions to the organization are tax deductible to donors under Section 170 of the IRC. The organization is not classified as a private foundation. Accordingly, no provision for federal or state income taxes has been included in the accompanying financial statements. The Organization is not aware of any activities that would jeopardize its tax-exempt status.

U.S. GAAP requires an organization to recognize a tax benefit or expense from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the tax authorities, based on the technical merits of the position. Management believes the Organization has no uncertain tax positions as of June 30, 2022.

**Functional Expenses**

The costs of providing the various programs and activities have been summarized on a functional basis in the accompanying Statement of Functional Expenses. Accordingly, costs have been allocated among the programs and supporting services benefited. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Management and general expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the organization.



**QUALITY HOME CARE SERVICES INC.  
NOTES TO THE FINANCIAL STATEMENTS**

**Recent Accounting Pronouncements**

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The amendments in the update increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements. The guidance is required to be applied by the Organization for the year ending December 31, 2022; however, early application is permitted.

**3. LIQUIDITY AND AVAILABILITY**

The Organization's working capital and cash flows have variations during the year due to the timing of grant and Medicaid disbursements. The majority of the Organization's revenues are from government sources. The available financial assets for general use to meet its obligations within one year of the Statement of Financial Position date were as follows.

	<b>2022</b>	<b>2021</b>
Cash and Cash Equivalents	602,092	2,065,294
Receivables	670,751	259,881
Prepaid Expense	15,653	132,830
Sales & Use Tax Receivable	12,346	6,369
<u>Total financial assets available w/n one year</u>	<u>\$1,300,842</u>	<u>2,464,374</u>

**4. GRANTS RECEIVABLE**

Grant awards are evaluated by management and determined to either be unconditional or conditional contributions. Unconditional revenues from grants are recorded upon notification of the award. Conditional grant revenues are recorded at the time the conditions on which they depend have been met. Grants receivable at June 30, 2022, are due as follows:

Currently due	\$ 670,751
Less than 1 year	1,230,912
1 year to 5 years	3,627,155
<u></u>	<u>\$5,528,818</u>

Accounts receivable are primarily unsecured non-interest-bearing amounts due from Medicaid on the cost reimbursement scale, grants, and contracts. Management believes that all grants receivable is collectible in full, therefore no allowance for uncollectible receivable has been provided.

**5. PROPERTY AND EQUIPMENT**

Asset activity for the primary government for the year ended June 30, 2022, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Assets</b>				
Furniture & Equipment	19,139	5,000		24,139
Office Equipment	31,018	0	0	31,018
Building Improvements	2,076	58,757	0	60,833
Leasehold Improvements	9,876	4,651		14,527
Software	5,904			5,904
Vehicles	57,861	35,000	0	92,861
Total	<u>125,874</u>			<u>229,282</u>
Less accumulated depreciation				(134,687)
<u>Total Property and Equipment, net</u>				<u>\$ 94,595</u>

**QUALITY HOME CARE SERVICES INC.  
NOTES TO THE FINANCIAL STATEMENTS**

**6. CONCENTRATION OF CREDIT RISK**

The Organization maintains several accounts at one financial institution. The accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per institution. For short periods of time during the year, the Organization may maintain bank account balances in excess of the FDIC insured limit of \$250,000. The Organization has not experienced any loss in such accounts and believes it is not exposed to any significant credit risk.

**7. FAIR VALUE MEASUREMENT**

Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurements and Disclosures*, establishes a fair value hierarchy that measures assets and liabilities using a three-level hierarchy that prioritizes the inputs used to measure fair value. This hierarchy consists of three broad levels.

- a) Level 1: Quoted prices for identical assets or liabilities in active markets to which the organization has access at the measurement date.
- b) Level 2: Inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include
  - quoted prices for similar assets or liabilities in active markets;
  - quoted prices for identical or similar assets in markets that are not active;
  - observable inputs other than quoted prices for the asset or liability (for example interest rates and yield curves); and
  - inputs derived principally from, or corroborated by, observable market data by correlation or by other means.
- c) Level 3: Unobservable inputs for the asset or liability. Unobservable inputs should be used to measure fair value if observable inputs are not available.

Carrying values of cash and cash equivalents, accounts receivable, prepaid expenses, and accounts payable approximated their fair values due to the short-term nature of these transactions.

**8. LEASES**

The Organization leases real property for program and administrative use and has entered into various operating lease agreements between 2021 and 2039. Rent expense under the lease payments are recorded as a component of rent expense.

Future minimum payments under these lease agreements are as follows for the years ended June 30:

2023	\$ 87,983
2024	\$ 86,883
2025	\$ 86,983
2026	\$ 87,983
2027	\$ 87,983

**9. NOTES PAYABLE**

Notes payables at June 30, 2022, are as follows:

The Organization received proceeds from an EIDL Loan. The loan has a term of 30 years, with interest accruing at 3.75%. The loan payments are automatically suspended in the first year of the loan, with repayment beginning one year from receipt of the initial loan. The current portion of the loan is undetermined as no repayment terms were established by period end.	\$ 149,900
Note payable to director with no set terms of repayment.	25,019

**QUALITY HOME CARE SERVICES INC.  
NOTES TO THE FINANCIAL STATEMENTS**

Loan maturities for each of the five years following June 30, 2022, are as follows:

June 30, 2023	5,500
June 30, 2024	4,900
June 30, 2025	3,400
June 30, 2026	3,300
Thereafter	157,819
	<u>\$174,919</u>

**10. CONCENTRATIONS OF RISK**

A significant portion of the Organization's revenues, contracts, and grants receivable consist of Federal, State of NC, and local government grants and contracts. For the year ended June 30, 2022, the Organization's total public support and revenue provided by government is approximately 99%.

**11. COMMITMENTS AND CONTINGENCIES**

**Grants**

Individual grants are subject to additional financial and compliance audits by the grantors or their representatives. Such audits could result in requests for reimbursement to the grantor agency for expenditures disallowed under terms of the grants. Based on past experience, the Organization's management is of the opinion that disallowances, if any, will not have a material impact on the accompanying financial statements.

**12. RELATED PARTY TRANSACTIONS**

The Organization's Executive Director is the sole-owner of a for-profit limited liability company, the 4C Company of NC, LLC (4C). The Organization has contracted with 4C to provide activities of daily living to children and adults at a cost equal to the amount of revenue received from NCTracks, which is the state of North Carolina's Medicaid provider.

The Organization owed \$25,019 to its Executive Director for amounts advanced to the Organization. As of the date of this report, no terms of repayment have been established,

**13. SUBSEQUENT EVENTS**

The Organization has evaluated subsequent events through July 31, 2023, the date which the financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.

## **Compliance Section**

**Independent Auditor's Report on Internal Control Over Financial Reporting and on  
Compliance And Other Matters Based on an Audit of Financial Statements Performed in  
Accordance with *Government Auditing Standards***

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

We have audited, 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, the financial statements of Quality Home Care Services Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022, 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 July 31, 2023.

**Report on 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) 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 the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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. However, as described in the accompanying schedule of finding and questioned costs, we identified a certain deficiency in internal control that we consider to be a significant deficiency.

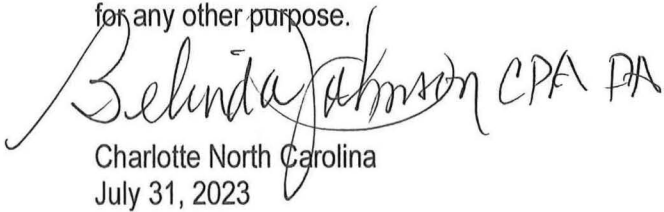
A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination 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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as finding 2022-01 to be a significant deficiency.

**Report on 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.



Belinda Johnson CPA PA

Charlotte North Carolina  
July 31, 2023

**BELINDA JOHNSON, CPA, PA**  
CERTIFIED PUBLIC ACCOUNTANT

North Carolina HUB Vendor

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**Independent Auditor's Report on Compliance for Each Major Federal Program and  
Report on Internal Control Over Compliance, and Report on the Schedule of Expenditures  
of Federal Awards Required by the Uniform Guidance**

Board of Directors  
Quality Home Care Services Inc.  
Charlotte NC

**Report on Compliance for Each Major Federal Program**

**Opinion on Each Major Federal Program**

We have audited Quality Home Care Services, Inc.'s (the Organization) compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2022. The Organization's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organization complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

**Basis for Opinion on Each Major Federal Program**

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Organization's compliance with the compliance requirements referred to above.

**Responsibilities of Management for Compliance**

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Organization's federal programs.

**Auditors' Responsibilities for the Audit of Compliance**

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists.



The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

#### **Report on 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 Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

#### **Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of the Organization as of and for the year ended June 30, 2022, and have issued our report thereon dated July 31, 2023, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

  
Charlotte, North Carolina  
July 31, 2023

**QUALITY HOME CARE SERVICES INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
*For the Year Ended June 30, 2022*

**Section I: Summary of Auditor's Results**

**Financial Statements**

- 1. Type of auditor's report issued: Unmodified
- 2. Internal control over financial reporting:
  - Material weakness(es) identified? \_\_\_ Yes    X No
  - Significant deficiency(ies) identified? \_\_\_ Yes    X None reported
- 3. Noncompliance material to financial statements noted? \_\_\_ Yes    X No

**Federal Awards**

- 1. Internal control over major federal programs:
  - Material weakness(es) identified? \_\_\_ Yes    X No
  - Significant deficiency(ies) identified? \_\_\_ Yes    X None reported
- 2. Type of auditor's report issued on compliance for major federal programs: Unmodified
- 3. 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 Programs**

Federal Assistance Listing Number(s)	Name of Federal Program or Cluster
93.243	Substance Abuse & Mental Health Services-Projects of Regional
93.918	Ryan White Part C
93.732	Mental and Behavioral Health Education and Training-OIFSP
93.928	Special Support RW SPNS
93.939	CDC HIV Prevention

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

**QUALITY HOME CARE SERVICES INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
*For the Year Ended June 30, 2022*

**Section II: Financial Statement Findings**

**Finding 2022-001**

**Criteria or specific requirements:** Nonprofit organizations receiving grant funding over \$750,000 shall have its accounts audited as soon as possible after the close of each fiscal year.

**Condition:** Quality Home Care Services Inc. has an internal control system for preparing the annual audit reports however the Organization did not meet the audit report issue date.

**Context:** Quality Home Care Services Inc. audit was submitted after the due date.

**Questioned Costs:** None

**Effect:** Potential additional cost to Quality Home Care Services Inc. and failure to file data collection form in a timely manner.

**Cause:** Inability to obtain critical documents.

**Recommendation:** Quality Home Care Services Inc. management should complete the audit as soon as possible.

**Summary of Prior Year Findings**

**Findings 2021-1**

**Criteria or specific requirements:** Nonprofit organizations receiving grant funding over \$750,000 shall have its accounts audited as soon as possible after the close of each fiscal year.

**Condition:** Quality Home Care Services Inc. has an internal control system for preparing the annual audit reports however due to the coronavirus restrictions the Organization did not meet the audit report issue date.

**Context:** Quality Home Care Services Inc. audit was submitted after the due date.

**Questioned Costs:** None

**Effect:** Potential additional cost to Quality Home Care Services Inc. and failure to file data collection form in a timely manner.

**Cause:** Inability to obtain critical documents during the coronavirus restrictions.

**Recommendation:** Quality Home Care Services Inc. management should complete the audit as soon as possible.

**Views of responsible officials:** We agree.

**Status:** Audit has been filed and accepted by FAC.

**Findings 2021-2**

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

**Condition:** The data collection form was not submitted in time.

**Recommendation:** Recommendations were made to ensure this would not occur again.

**Current Status:** The recommendation was adopted.

**Status:** The data collection form was submitted and accepted by FAC.

Quality Home Care Services Inc.  
Schedule of Expenditures of Federal Financial Awards  
For the Year Ended June 30, 2022

Federal Grantor/Pass-Through/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
Ryan White HIV/AIDS Program Part C Grants to Provide Outpatient Early Intervention Services With Respect to HIV Disease	93.918	H7628474	258,576
Special Support for Ryan White HIV Treatment-SPNS	93.928	U9039765	382,392
Substance Abuse and Mental Health Services Projects of Regional and National Significance (PRNS) (GBHI)	93.243	H79TI080431	446,568
Mental and Behavioral Health Education and Training -OIFSP Grant	93.732	6T26HP39455	225,469
Centers For Disease Control and Prevention HIV Prevention Activities Non-Government Organization Based	93.939	NU62PS924655	349,350
Total US Department of Health and Human Services			<u>1,662,355</u>
<b>U.S. DEPARTMENT OF JUSTICE</b>			
Coronavirus Emergency Supplemental Funding Program	16.034		229,800
Total US Department of Justice			<u>229,800</u>
<b>Total Federal Awards</b>			<u><u>1,892,155</u></u>
<b>NC DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
Division of Public Health-NC Testing			62,887
Ryan White HIV/AIDS Program Part A and MAI			82,033
<b>Total State Awards</b>			<u><u>144,920</u></u>
<b>MECK CO HEALTH DEPARTMENT</b>			
Meck Co Health Department-PrEP			7,230
Meck Co Health Department-Testing			43,614
<b>Total Mecklenburg County Awards</b>			<u><u>50,844</u></u>

See accompanying Notes to Schedule of Expenditures of Federal Awards

Quality Home Care Services Inc.  
Notes To The Schedule of Expenditures of Federal Financial Awards  
For The Year Ended June 30, 2022

**NOTE 1: BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity for Quality Home Care Services, Inc. (the Organization) under programs of the federal government for the year ended June 30, 2022. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Organization has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

**NOTE 3: CONTINGENCIES**

The Organization is subject to audit examination by the funding sources of grants to determine its compliance with certain grant provisions. In the event that expenditures could be disallowed through the audit, repayment of such disallowances could be required.



July 31, 2023

Corrective Action Plan for Finding 2022-001

Name of contact person: Lisa Wigfall,  
MSW, Executive Director

Corrective Action: Due to COVID restrictions, we were unable to get the audit completed in a timely manner. Plans are in place to file all future audits in a timely manner.  
Proposed Completion Date: Immediately