

QUALITY HOME CARE SERVICES, INC.
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024

QUALITY HOME CARE SERVICES, INC.
FINANCIAL STATEMENTS
JUNE 30, 2024

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PART I
FINANCIAL STATEMENTS AND NOTES TO FINANCIAL STATEMENTS
PREPARED IN ACCORDANCE WITH
GENERALLY ACCEPTED ACCOUNTING PRINCIPLES



INDEPENDENT AUDITOR'S REPORT

Board of Directors
Quality Home Care Services, Inc.
Charlotte NC

Qualified Opinion

We have audited the accompanying financial statements of Quality Home Care Services, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2024, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the financial statements referred to above present fairly, in all material respects, the financial position of Quality Home Care Services, Inc. as of June 30, 2024, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Basis for Qualified Opinion

We did not obtain sufficient appropriate audit evidence about the amount recognized for the note payable amounting to \$264,693. We were unable to validate the accuracy and completeness of this amount due to incomplete supporting documents. This limitation prevents us from forming a conclusive opinion on the accuracy of the note payable balance as of June 30, 2024.

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. 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 Quality Home Care Services, Inc. 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 qualified audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.





INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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 Quality Home Care Services, Inc.'s ability to continue as a going concern within one year after the date that 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 opinion. 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 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 generally accepted auditing standards 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 Quality Home Care Services, Inc.'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 Quality Home Care Services, Inc.'s ability to continue as a going concern for a reasonable period of time.





**INDEPENDENT AUDITOR'S REPORT
(CONTINUED)**

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.

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 Part 200, Uniform Administrative Requirements, Cost Principle, 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 schedule of expenditures of federal awards is fairly stated, 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 April 23, 2025, on our consideration of Quality Home Care Services, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Quality Home Care Services, Inc.'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 Quality Home Care Services, Inc.'s internal control over financial reporting and compliance.

HWA Alliance of CPA Firms, Inc.

Independence, Ohio
April 23, 2025



QUALITY HOME CARE SERVICES, INC.
STATEMENT OF FINANCIAL POSITION
June 30, 2024

ASSETS

Current Assets

Cash and Cash Equivalents	\$ 182,366
Accounts Receivable	253,700
Other Receivable	101,182
Other Current Assets	87,607
Total Current Assets	<u>624,855</u>

Non-Current Assets

Property and Equipment, net	774,602
Finance Lease Right-of-Use Asset, net	894,247
Total Non-Current Assets	<u>1,668,849</u>
TOTAL ASSETS	<u><u>\$ 2,293,704</u></u>

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts Payable	559,796
Accrued Expenses	43,163
Deferred Revenue	19,703
Other Current Liabilities	2,182
Current Finance Lease Liability	175,268
Total Current Liabilities	<u>800,112</u>

Non-Current Liabilities

Note Payable	414,693
Finance Lease Liability	718,979
Total Non-Current Liabilities	<u>1,133,672</u>
TOTAL LIABILITIES	<u><u>1,933,784</u></u>

Net Assets

Without donor restrictions	359,920
Total Net Assets	<u>359,920</u>

TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 2,293,704</u></u>
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See notes to the financial statements

QUALITY HOME CARE SERVICES, INC.
STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2024

	Without Donor Restriction	With Donor Restriction	Total
REVENUE			
Federal Grants	\$ 2,846,369	\$ -	\$ 2,846,369
340B Program	4,203,988	-	4,203,988
Healthcare Services	48,719	-	48,719
Mental and Behavioral Health Services	79,425	-	79,425
Other Income	10,750	-	10,750
Total Revenue	7,189,251	-	7,189,251
EXPENSES			
Federal Program and Other Program Expenses			
Federal Program Expenses	3,038,956	-	3,038,956
340B Program	3,609,430	-	3,609,430
Other Program	505,382	-	505,382
Total Federal Programs and Other Program Expenses	7,153,768	-	7,153,768
Administrative and General	286,690	-	286,690
Total Expenses	7,440,458	-	7,440,458
Change in Net Assets	(251,207)	-	(251,207)
Net Assets at Beginning of Year	603,042	-	603,042
Prior Period Adjustment	8,085	-	2,435,914
Net Assets at Beginning of Year, restated	611,127	-	611,127
Net Assets at End of Year	\$ 359,920	\$ -	\$ 359,920

See notes to financial statements

QUALITY HOME CARE SERVICES, INC.
STATEMENT OF FUNCTIONAL EXPENSE
For the Year Ended June 2024

	Program Services										Total Federal Award	340B	Others	Total Other Programs	Management and General	Total Expenses
	GBHI	CCBCH	CDC	SPNS	CHW	OIFSPG	ESSHCI	MPOX	RWA	RWC						
Personnel	129,309	177,869	268,606	96,402	151,962	169,524	217,516	36,547	104,760	56,827	1,409,322	2,262	272,500	274,762	30,499	1,714,583
Training and Technical Assistance	104,789	41,388	30,002	20,324	-	3,092	2,800	20,704	16,087	-	239,186	-	750	750	9,986	249,922
Travel	24,599	96	25,524	7,474	1,808	1,208	1,672	-	-	-	62,381	5,324	207	5,531	7,362	75,274
Computer Equipment and Software	-	155	-	250	519	5,817	155	5,362	619	-	12,877	-	-	-	8,652	21,529
Contractual	-	-	190,000	-	-	-	-	-	1,280	-	191,280	467,122	13,326	480,448	92,895	764,623
Drug Cost	-	-	-	-	-	-	-	-	-	-	-	2,392,875	-	2,392,875	-	2,392,875
DIR/GER Fees	-	-	-	-	-	-	-	-	-	-	-	(4,966)	-	(4,966)	-	(4,966)
Co-pays/Med Cost	-	-	-	-	-	-	-	-	-	-	-	5,474	-	5,474	-	5,474
Legal and Medical Services	-	447	8,126	4,600	-	-	344	-	8,505	6,138	28,160	502	403	905	3,815	32,880
Professional and Legal Expenses	63	1,250	1,345	95	1,250	7,656	-	-	2,500	1,250	15,409	-	-	-	13,155	28,564
Marketing	1,781	16,391	144,156	6,407	1,862	10,506	29,223	21,935	6,582	1,432	240,275	9,855	13,764	23,619	2,077	265,971
Medical and Testing Supplies	-	3,162	34,278	-	-	-	16,599	-	246	-	54,285	712,620	1,525	714,145	10,674	779,104
Insurance	120	2,714	3,337	760	3,286	3,473	2,714	1,793	2,855	2,713	23,765	-	7,312	7,312	1,614	32,691
Occupancy Expense	3,762	3,955	20,819	2,718	3,595	10,094	4,994	-	1,800	1,151	52,888	-	129,942	129,942	31,910	214,740
Equipment Lease	1,439	-	-	-	-	3,850	-	-	-	-	5,289	-	-	-	-	5,289
Facilities and Equipment Expenses	18	6,451	1,415	-	6,451	6,469	6,451	-	12,902	6,451	46,608	-	25,804	25,804	16,809	89,221
Student Support	-	-	-	-	95,578	433,688	-	-	-	-	529,266	-	-	-	(1,000)	528,266
Dues and Subscription	-	-	844	(175)	1,300	413	13	100	-	-	2,495	80	5,848	5,928	7,212	15,635
Charitable Contributions	-	-	-	-	-	-	1,136	-	-	-	1,136	-	-	-	1,626	2,762
Supplies	452	1,002	9,332	908	1,059	1,155	3,987	1,545	432	1,576	21,448	-	2,152	2,152	1,032	24,632
Printing and Photocopying	-	-	3,914	3,914	3,914	64	-	-	3,914	-	15,720	-	3,914	3,914	1,870	21,504
Automobile	-	-	5,239	-	-	-	1,144	-	-	-	6,383	-	3,803	3,803	361	10,547
Telephone	777	-	5,069	1,384	493	1,164	807	10	619	595	10,918	-	2,452	2,452	963	14,333
Utilities	3,073	1,967	11,745	3,210	4,988	5,016	698	38	942	699	32,376	2,666	13,690	16,356	15,056	63,788
Other Expense	816	1,250	11,875	2,052	4,545	6,321	9,228	498	99	805	37,489	15,616	7,990	23,606	30,122	91,217
Total	270,998	258,097	775,626	150,323	282,610	669,510	299,481	88,532	164,142	79,637	3,038,956	3,609,430	505,382	4,114,812	\$ 286,690	7,440,458

See notes to financial statements

QUALITY HOME CARE SERVICES, INC
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2024

Change in Net Assets	\$	(251,207)
Cash Flows from Operating Activities		
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities		
Depreciation Expense		77,414
Prior period adjustment on interest expense		(3,946)
Change in Assets		
Accounts Receivable		64,056
Other Receivable		(8,366)
Other Current Assets		(59,310)
Change in Liabilities		
Accounts Payable		274,993
Accrued Expenses		9,445
Deferred Revenue		(62,270)
Other Current Liabilities		9,621
Net Cash Provided by Operating Activities		50,430
Cash Flows from Investing Activities		
Leasehold Improvements		(760,731)
Construction Uplifting in Progress		682,536
Net Used in Investing Activities		(78,195)
Cash Flows From Financing Activities		
Loan Payable - 4C		38,465
Loan Payable - EIDL		3,947
Net Cash Provided by financing activities		42,412
Net (Decrease) Increase in Cash		14,647
Cash Beginning of Year		167,719
Cash at End of Year	\$	182,366
Supplemental Schedule		
Interest Paid	\$	27,552
Income Taxes Paid	\$	-

See notes to financial statements

QUALITY HOME CARE SERVICES, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024

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 the 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 are 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. The actual results could differ from those amounts.

QUALITY HOME CARE SERVICES, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Instruments

The Organization's financial instruments consist of cash and cash equivalents, accounts receivable, and accounts payable. These financial instruments are recognized and measured in accordance with accounting principles generally accepted in the United States of America.

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.

Accounts Receivable

The Organization's receivables represent amounts owed to the Organization from grantors for funding provided to support specific programs. These receivables are recognized once the related expenses are incurred and the claims for reimbursement are submitted to the funding agencies. Additionally, the Organization has receivables arising from Medicaid cost reimbursements, grants, contracts, and transactions with pharmacies participating in the 340B program. These accounts receivables are generally unsecured and do not accrue interest.

Accounts Payable

It represents amounts owed by the Organization for goods and services that have been received but not yet paid. These obligations arise as part of the normal operations and are expected to be settled within the normal operating cycle.

Fair Value Measurements

Generally accepted accounting principles provide guidance on how fair value should be determined when financial statements are required to be measured at fair value. The Organization is required to measure its certain financial assets and liabilities at fair value, at each financial position date. The techniques used to measure fair value are described in the notes below that relate to each asset or liability. Valuation techniques are ranked in three levels depending on the degree of objectivity of the inputs used with each level:

Level 1 - quoted prices in active market for identical assets

Level 2 - quoted prices in active or inactive market for the same or similar assets.

Level 3 – estimates using the best information available when there is little or no market.

The Organization had no investments in equity or debt securities as of June 30, 2024, and it had no level 3 investments. Therefore, no reconciliation of Level 3 investments for the current year is required.

QUALITY HOME CARE SERVICES, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The carrying value of financial instruments such as cash, accounts receivable, and accounts payable approximate fair value. The Company believes the carrying value of its financial instruments are reasonable estimates of their fair values, unless otherwise noted.

Property 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 expensed 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, 2024.

Accounts Payable

The Organization classifies current liabilities as obligations due for settlement within twelve months after the reporting period, measured at face value. Quality Home Care Service's current liabilities primarily consist of Accounts Payable, representing unpaid goods and services received before the financial year-end anticipated for settlement within the standard operational cycle or twelve months.

Accrued Compensated Absences

Employees of the Company are entitled to vacation, sick, and personal days based upon on the classification and length of service. Vacation days may be carried over. As of June 30, 2024 the accrued vacation balance totaled \$35,914.

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.

Deferred Revenue

Deferred revenue represents resources received from service beneficiaries for a particular program or activity that has not taken place as of June 30, 2024.

QUALITY HOME CARE SERVICES, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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, 2023.

Revenue Recognition

Topic 606 – Revenue from Contracts with Customer

In May 2014, the FASB issued Accounting Standards Update (“ASU”) 2014-09, Revenue from Contracts with Customer (Topic 606). Under this standard, a company recognizes revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. The standard implements a five-step process for customer contract revenue recognition that focuses on transfer of control. The standard is effective for annual reporting periods beginning after December 15, 2019. Entities can transition to the standard either retrospectively or as a cumulative-effect adjustment as of the date of adoption.

As of June 30, 2020, the Organization adopted ASC 606 using the full retrospective method. As a result, the Organization evaluated the impact of the new revenue recognition model on their operations to determine if changes were required to comply with these requirements. The conclusion is that there is no change to the amount and timing of revenue recognition.

QUALITY HOME CARE SERVICES, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

Grant Revenue

The Grant Revenue accounting policy is to record funds as of the receipt date within the approved grant budget period reflected on the notice of award statement. If funds are received outside the approved period, they are accrued in the proper period in accordance with GAAP. Grant revenues are from donations and grant agreements, which FASB has scoped out of ASC 606. Due to the nature of these revenue streams, they are considered nonreciprocal transactions and there is no customer.

340B Program

The Organization operates the 340B Program from four 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 when control of the medications is transferred to the patients.

Program Revenue

These are charges for medical laboratory services, copays, and other fees. These fees are billed directly to patients and recognized as other income at the point in time when the services are provided is satisfied.

For the year ended June 30, 2024, the Organization determined that its contracts with patients generally include a single performance obligation. As such, the entire transaction price is allocated to that performance obligation and is recognized as revenue at the point in time when the obligation is satisfied, typically when control of goods or services is transferred to the customer. Refer to Note 8 for revenue contracts with customers.

QUALITY HOME CARE SERVICES, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ASU No. 2016-02, Leases (Topic 842)

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842). This ASU requires lessees to recognize assets and liabilities on the statement of financial position for leases with lease terms greater than twelve months. The recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee primarily will depend on its classification as a finance or operating lease. This ASU amends current guidance that requires only capital leases to be recognized on the lessee's statement of financial position. The ASU will also require additional disclosures on the amount, timing and uncertainty of cash flows arising from leases. FASB issued ASU No. 2021-05, Leases (Topic 842) to defer the implementation date of the new lease standard to fiscal years beginning after December 15, 2021.

The Organization determines if an arrangement contains a lease at the inception of a contract. The lease classification is determined at the commencement date. Right of use assets represent the Organization's right to use an underlying asset arising from the lease term and lease liabilities represent the Organization's obligation to make lease payments arising from the lease during the lease term. Refer to Note 6 for leases.

ASU No. 2021-07, Not-for-Profit Entities (Topic 958)

In September 2021, FASB issued ASU No. 2021-07, Not-for-Profit Entities (Topic 958), Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets. This ASU addresses the presentation and disclosure of contributed nonfinancial assets and will require contributed nonfinancial assets to be presented as a separate line item in the statement of activities, apart from contributions of cash and other financial assets. The ASU also requires certain specific disclosures related to these nonfinancial assets, including a description of any donor-imposed restrictions associated with the contributed nonfinancial asset, if the asset was monetized or utilized during the period and the valuation technique used to arrive at the fair value of the asset.

The Organization evaluated the applicability of ASC 958, Not-for-Profit Entities, to its operations for the year ended June 30, 2024. The Organization concluded that ASC 958 did not result in any material impact on its financial position, statement of activities, or cash flows.

QUALITY HOME CARE SERVICES, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Pronouncement

ASU No. 2016-13, Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments (ASC 326)

In 2016, the FASB issued ASU No. 2016-13 Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments (ASC 326). This standard replaced the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss (“CECL”) methodology. CECL requires an estimate of credit losses for the remaining estimated life of the financial asset using historical experience, current conditions, and reasonable and supportable forecasts and generally applies to financial assets measured at amortized cost, including loans receivable and held-to-maturity debt securities, and some off-balance sheet credit exposures such as unfunded commitments to extend credit. Financial assets measured at amortized cost will be presented at the net amount expected to be collected by using an allowance for credit losses. Topic 326 is effective for fiscal year beginning after December 31, 2022.

On July 1, 2023, the Organization adopted Accounting Standards Update (ASU) 2016-13, Financial Instruments—Credit Losses (Topic 326). After evaluating the effect of the adoption on the Organization’s financial statements, the Organization determined that the adoption of these standards had no material effect on its statement of financial position, statement of activities, or cash flows. As such, no changes were made to the allowance for credit losses.

The Organization significant financial assets are limited to cash and accounts receivable. Given the nature of these financial instruments, the Organization has assessed the credit risk associated with cash and accounts receivable as minimal. The Company monitors the creditworthiness of the financial institutions with which it holds deposits, and these institutions have high credit ratings. Accounts receivables are individually assessed, and the management has determined they are collectible. Management continues to monitor these accounts and evaluate the need for an allowance on an ongoing basis.

3. PROPERTY AND EQUIPMENT

As discussed above in Note 2 to the financial statements, purchased assets are capitalized and depreciated over their useful lives. The Organizations capitalize its depreciable assets with an acquisition cost exceeding \$1,000. Depreciation expense for the years ended June 30, 2024, was \$77,414.

QUALITY HOME CARE SERVICES, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024

3. PROPERTY AND EQUIPMENT (Continued)

As of June 30, 2024, property, equipment, and vehicles owned by the Organization consisted of the following:

	Beginning, restated	Additions	Transfers	Ending
Furniture and Equipment	\$ 24,139	\$ -	\$ -	\$ 24,139
Office Equipment	31,018		-	31,018
Software	5,904		-	5,904
Vehicles	92,861		-	92,861
Leasehold Improvements	14,527	760,731	48,830	824,088
Building Improvements	60,833	-	(60,833)	-
Total Property and Equipment	229,282	760,731	(12,003)	978,010
Accumulated Depreciation	(137,997)	(77,414)	12,003	(203,408)
Total Property and Equipment, net	<u>\$ 91,285</u>	<u>\$ 683,317</u>	<u>\$ -</u>	<u>\$ 774,602</u>

During the year ended June 30, 2024, previously recorded Construction Upfitting in Progress with a total cost \$760,731 was reclassified as leasehold improvements and are now being amortized over the estimated useful life in accordance with the Organization's accounting policy.

4. 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. As of June 30, 2024, the Organization's bank balance did not exceed this limit.

A significant portion of the Organization's revenue, contracts, and grants receivable consist of Federal, State of NC, and local government grants and contracts. For the year ended June 30, 2024, the Organization's total public support and revenue provided by government is approximately 98%.

QUALITY HOME CARE SERVICES, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024

5. COMMITMENTS AND CONTINGENCIES

Lease Commitments

As of June 30, 2024, The Organization has evaluated its commitments and contingencies. It has identified a lease commitment requiring settlement of minimum lease in the years subsequent to the fiscal year end totaling to \$1,008,000. For detailed information, refer to Note 6.

Contingency

Individual grants are subject to additional financial and compliance audits by the granters or their representatives. Such audits could result in requests for reimbursement to the granter 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.

6. LEASES

Finance Lease as a Lessee

The Organization accounts for its leasing arrangements in accordance with ASC 842, Leases. The Organization has entered into an operating lease agreement for office space at 3607 Beatties Ford Road, Charlotte, NC. The lease has a term of five years, with monthly payments of \$18,000, beginning on March 1, 2024, and ending on February 28, 2029, unless terminated earlier. The Organization has the option to renew the lease for an additional five-year term by providing written notice to the lessor at least 90 days before the lease term expires.

At June 30, 2024, the Organization recognized finance lease liabilities totaling \$894,247 and corresponding right-of-use assets valued at \$894,247. The liabilities are measured at the present value of future lease payments, discounted using the Organization's incremental borrowing rate of 5.00%.

For the year ended June 30, 2024, the Organization incurred \$56,506 in lease expenses, classified under occupancy expenses, and \$15,494 in interest expense related to lease liabilities, both of which are presented in the statement of activities.

QUALITY HOME CARE SERVICES, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024

6. LEASES(Continued)

Future minimum lease payments for finance lease as of June 30, 2024 are as follows:

	2025	\$ 216,000
	2026	216,000
	2027	216,000
	2028	216,000
	2029	144,000
Total undiscounted minimum lease payments		1,008,000
Less: Present Value Discount		(113,753)
Total Lease Liability		\$ 894,247

Lease as a Lessor

For the year ended June 30, 2024, the Organization does not have any lease contract acting as a lessor and does not have transactions as a lessor.

7. NOTES PAYABLE

Loan 1

On July 02, 2020, the Organization was approved for an Economic Injury Disaster Loan (EIDL) through the U.S. Small Business Administration (SBA) to provide financial assistance during the COVID-19 pandemic. The loan proceeds are intended to support working capital needs and operating expenses.

The EIDL has an original loan amount of \$150,000 with a fixed interest rate of 2.75% per annum. The loan is payable over a term of 30 year, with a single principal payment due on July 02, 2050.

As of June 30, 2024, the outstanding principal balance of the EIDL loan was \$150,000. The loan is secured by the Organization's business assets as required by the SBA. Total interest expense paid during the year was \$7,692.

Loan 2

As of June 30, 2024, the Organization has a note payable to prior related parties with no formal terms of repayment or executed contract. Additionally, the Organization serves as the guarantor for the loan. The total outstanding balance as of the reporting date is \$264,693.

QUALITY HOME CARE SERVICES, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024

8. REVENUE FROM CONTRACTS WITH CUSTOMERS

The Organization recognizes revenue in accordance with ASC 606, Revenue from Contracts with Customers. Revenue is recognized when control of the promised goods or services is transferred to the customer, reflecting the transaction price allocated to the single performance obligation in each contract.

For the year ended June 30, 2024, the Organization's revenue from contracts with customers consisted of the following:

340B Program

Revenue from 340B pricing program is recognized at a point in time when control of the medications is transferred to patients. This program revenue arises from the cost savings achieved through discounted medication purchases for eligible individuals.

Program Income

Charges for medical laboratory services, copays, and other fees are recognized as revenue at the point in time when the related services are provided.

The Organization has determined that its contracts with customers generally include a single performance obligation, and as such, the entire transaction price is allocated to that obligation and recognized accordingly. There are no contract assets and contract liabilities related to revenue from customer. No financing components are present, as payment terms align closely with the timing of the transfer of control for goods or services.

As of June 30, 2024, accounts receivable related to contracts with customers totaled \$253,700 and are included under accounts receivable. Total revenue recorded for the year was at \$4,332,132.

9. RELATED PARTY TRANSACTIONS

During the year ended June 30, 2024, the Organization engaged in a related party transaction with Ignite Marketing Solutions, a company owned by Dr. Ra Shawn Flournoy, who also serves as the Chief Executive Officer of Quality Home Care Services, Inc. Ignite Marketing Solutions provided marketing services to the Organization. Total expenses incurred for these services during the year amounted to \$123,618. As of June 30, 2024, the outstanding balance payable to Ignite Marketing Solutions was \$47,022.

QUALITY HOME CARE SERVICES, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024

10. LIQUIDITY AND AVAILABILITY

The Organization's working capital and cash flows have variations during the year due to 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.

Cash and cash equivalents	\$ 182,366
Accounts Receivable	253,700
Other Receivable	<u>101,182</u>
Total financial assets available within one year	<u><u>\$ 537,248</u></u>

11. PRIOR PERIOD ADJUSTMENTS

During the fiscal year ending June 30, 2024, the Organization discovered a prior-period accounting error affecting leasehold improvements, accumulated depreciation, and loan payable. The error was attributed to the misclassification of accounts, inaccurate calculation of depreciation, and incorrect allocation of interest payments to principal. The impact of the adjustment on the financial statements is as follows:

	Increase (Decrease)
Leasehold Improvement	\$ (3,000)
Accumulated Depreciation – Property and equipment	15,031
Note Payable	<u>(3,946)</u>
Total	<u><u>\$ 8,085</u></u>

The cumulative effect of these adjustments has been reflected in the restated beginning net assets as of June 30, 2024.

12. SUBSEQUENT EVENTS

Subsequent Events are events or transactions which occur after June 30, 2024, but before the issuance of the financial statements and auditor's report that have a material effect on the financial statements and require adjustment or disclosure in the statements.

Management has evaluated subsequent events through April 23, 2025, the date on which the financial statements were available to be issued.

No events occurred during the subsequent period that should be disclosed.

Part II

INTERNAL CONTROL STRUCTURE AND COMPLIANCE INFORMATION IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Quality Home Care Services, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2024, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 23, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Quality Home Care Services, Inc.'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 Quality Home Care Services, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Quality Home Care Services, Inc.'s internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned as item 2024-02 to be material weaknesses.

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 deficiencies described in the accompanying schedule of findings and questioned costs as item 2024-01 to be significant deficiency.



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 -continued*

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Quality Home Care Services, Inc.'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*.

Quality Home Care Services, Inc.'s Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on Quality Home Care Services, Inc.'s response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. Quality Home Care Services, Inc.'s response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.

HWA Alliance of CPA Firms, Inc.

Independence, Ohio
April 23, 2025

Part III
FEDERAL AWARDS PROGRAM

QUALITY HOME CARE SERVICES, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2024

Federal Grantor/Program or Cluster Title	Pass-Through Entity Number	Federal CFDA Number	Federal Expenditures(\$)
Department of Health and Human Services			
Substance Abuse and Mental Health Services Projects of Regional and National Significance	H79TI086859	93.243	\$ 528,926
Public Health Training Centers Program	T2946720	93.516	282,442
Mental and Behavioral Health Education and Training Grants	T2639455	93.732	669,342
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	P065266	93.918	79,468
Special Projects of National Significance	U9039765	93.928	150,323
HIV Prevention Activities Non-Governmental Organization Based	6NU62PS924655-03-03	93.939	775,626
Sexually Transmitted Diseases (STD) Prevention and Control Grants	1NH25PS005220	93.977	299,312
Total Department of Health and Human Services			2,785,439
Department of Health and Human Services Pass-Through Programs			
Passed through Mecklenburg County Financial Services Department			
HIV Emergency Relief Project Grants	43303203	93.914	163,806
Total Passed through Mecklenburg County Financial Services Department			163,806
Department of Health and Human Services Pass-Through Programs			
Passed through National Foundation for the Centers for Disease and Control Prevention, Inc.			
Immunization Research, Demonstration, Public Information and Education Training and Clinical Skills Improvement Projects	6023	93.185	88,532
Total Expenditures of Federal Awards			\$ 3,037,777

See Accompanying Independent Auditor's Report

QUALITY HOME CARE SERVICES, INC.
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2024

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal grant activity of Quality Home Care Services, Inc. under programs of the federal government for the year ended June 30, 2024. 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 IMPACT Community Action, it is not intended to and does not present the financial position, changes in net assets or cash flows of IMPACT Community Action.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

NOTE C – INDIRECT COST RATE

IMPACT has elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance for any of its awards.

Part IV

INTERNAL ACCOUNTING AND ADMINISTRATIVE CONTROLS AND COMPLIANCE
INFORMATION REQUIRED BY UNIFORM GUIDANCE



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

To the Board of Trustees of
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 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 Quality Home Care Services, Inc’s major federal programs for the year ended June 30, 2024. Quality Home Care Services, Inc’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

In our opinion, Quality Home Care Services, Inc. complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each major federal programs for the year ended June 30, 2024.

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; 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 Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Quality Home Care Services, Inc. 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 opinions on compliance for each major federal program. Our audit does not provide a legal determination of Quality Home Care Services, Inc.’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 Quality Home Care Services, Inc’s federal programs.





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

Auditor's 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 Quality Home Care Services, Inc'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 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 material if there is a substantial likelihood that, individually or in aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Quality Home Care Services, Inc's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *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 Quality Home Care Services, Inc'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 Quality Home Care Services, Inc'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 Quality Home Care Services, Inc'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.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2024-03. Our opinion on each major federal program is not modified with respect to these matters.



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

Government Auditing Standards requires the auditor to perform limited procedures on Quality Home Care Services, Inc's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. Quality Home Care Services, Inc's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies

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 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 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.

HWA Alliance of CPA Firms, Inc.

Independence, Ohio
April 23, 2025



QUALITY HOME CARE SERVICES, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2024

Section I — Summary of Auditors' Results

Financial Statements

Type of auditor's report issued: **QUALIFIED**

Internal control over financial reporting:

• Material weakness(es) identified?	<u> X </u>	Yes			no
• Significant deficiency(ies) identified?	<u> X </u>	Yes		<u> </u>	none reported
Noncompliance material to financial statements noted?		Yes		<u> X </u>	no

Federal Awards

Internal control over major programs:

• Material weakness(es) identified?		yes		<u> X </u>	no
• Significant deficiency(ies) identified?		yes		<u> X </u>	none reported

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

Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance?	<u> X </u>	yes			no
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QUALITY HOME CARE SERVICES, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2024

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
93.939	HIV Prevention Activities Non-Governmental Organization Based
93.516	Community Health Care Training Program
93.977	Preventive Health Services Sexually Transmitted Diseases Control Grants

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

Auditee qualified as low-risk auditee? _____ yes _____ **X** no

QUALITY HOME CARE SERVICES, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2024

Section II — Financial Statement Findings
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2024-01 Internal Control Deficiency Over Financial Close and Reporting Process

Criteria: Effective internal controls dictate that financial statements are accurate, complete and prepared in a timely manner. All transactions should be appropriately documented with sufficient supporting evidence and subjected to proper review and approval processes prior to posting to the financial records.

Condition: During our audit of the financial records of the Organization, we noted the following:

- a. Prior year audit adjustments were not recorded.
- b. Balances of payroll taxes did not match the payroll records.

Cause of Condition: The prior year audit adjustments were not recorded in the accounting records. Additionally, unreconciled balances may be attributed to gaps in monitoring processes and turnover in accounting personnel, which resulted in incomplete handover of critical financial records. The lack of reconciliation between the accounting records and supporting source documents has contributed to the issue.

Potential Effect of Condition: The failure to post prior year audit adjustments, along with inadequate documentation and unreconciled balances, may result in misstatements in the financial statements, impacting their accuracy and reliability.

Recommendation: Management should ensure that all adjustments are properly recorded, reconciled with the relevant records, and supported by adequate documentation. Additionally, all financial transactions should undergo thorough review and approval before being posted to the accounting system.

Management Response: The management agrees with the findings.

2024-02: Unsupported Loan Balance Recorded in Financial Statements

Criteria: According to Generally Accepted Accounting Principles (GAAP) and internal control best practices, all recorded liabilities must be accurately reflected, properly supported by appropriate documentation, and verifiable through independent confirmation. This ensures the reliability of financial statements and compliance with accounting standards.

Condition: During the review of the note payable, we identified a loan obtained by a prior related party, with Quality Home Care Services, Inc. acting as a guarantor. The loan, recorded in the financial statements at \$264,693, lacks sufficient supporting documentation, including contracts or formal agreements, to substantiate the recorded balance. As a result, we were unable to verify the existence, terms, or accuracy of the loan. This limitation affects the reliability of the financial statement presentation related to this loan.

QUALITY HOME CARE SERVICES, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2024

Cause of Condition: The issue primarily stems from inadequate documentation practices by previous management, insufficient internal controls over the recording and verification of loan transactions, and a lack of proper turnover procedures during management changes, resulting in the loss, leading to the loss of critical records.

Potential Effect of Condition: The inability to substantiate the loan balance due to insufficient documentation may lead to an inaccurate presentation of the organization’s financial position, resulting in misstated assets, liabilities, and related disclosures.

Recommendation: The organization should promptly take steps to obtain all relevant documentation related to the loan, including agreements, contracts, and any correspondence with the related party. If such documentation is unavailable, we recommend that the organization engage with the related party to formalize and document the loan terms, ensuring compliance with applicable accounting standards and supporting proper financial reporting. Furthermore, implement stronger internal controls over the recording and verification of loan transactions, particularly related party loans. This should include formal documentation procedures, regular reconciliations, and approval processes to ensure accurate and complete financial reporting.

Management Response: The management agrees with the findings.

Section III — Federal Award Findings and Questioned Costs
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2024-03 Late Submission of Data Collection Form and Single Audit Package

Criteria: In accordance with 2 CFR §200.512(b) of the Uniform Guidance, auditees must submit the data collection form (Form SF-SAC) and the Single Audit reporting package to the Federal Audit Clearinghouse within the earlier 30 calendar days after receipt of the auditor’s report, or nine months after the end of the audit period.

Condition: Quality Home Care Services, Inc. did not meet the submission deadline for the data collection form and single audit package for the fiscal year ending June 30, 2024.

Cause of Condition: Failure to obtain necessary documents in a timely manner.

Potential Effect of Condition: Potential additional costs to Quality Home Care Services, Inc. resulting from the delayed submission.

Recommendation: Quality Home Care Services, Inc must develop a clear and organized schedule to ensure the audit is completed on time. Furthermore, ensure that all necessary financial documents and records are properly organized and readily accessible throughout the audit process

QUALITY HOME CARE SERVICES, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2024

Section IV — Prior Year Audit Findings

Finding 2023-001

Criteria: 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.

Cause of Condition: Inability to obtain critical documents

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

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

Status: The audit report was finalized and issued on May 10, 2024. To prevent future delays, the audit schedule has been revised to include additional time for unexpected setbacks.

Findings 2023-002

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 file as soon as possible.

Status: The data collection form was finalized and submitted on May 10, 2024. Management has also implemented measures to ensure the timely submission of future reports.