

APPENDIX C-1



FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

INDIAN STREAM HEALTH CENTER, INC.

Contents
December 31, 2019 and 2018

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Independent Auditor's Report

To the Board of Directors of
Indian Stream Health Center, Inc.:

Report on the Financial Statements

We have audited the accompanying financial statements of Indian Stream Health Center, Inc. (a Massachusetts corporation, not for profit) which comprise the statement of financial position as of December 31, 2019, and the related statements of activities and changes in net assets, cash flows and functional expenses for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Indian Stream Health Center, Inc. as of December 31, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The comparative information of Indian Stream Health Center, Inc. as of December 31, 2018, was audited by other auditors whose report dated September 17, 2019, expressed an unmodified opinion on those financial statements.

Westborough, Massachusetts
October 29, 2020

INDIAN STREAM HEALTH CENTER, INC.Statements of Financial Position
December 31, 2019 and 2018

Assets	2019	2018
Current Assets:		
Cash	\$ 304,921	\$ 179,287
Patient services accounts receivable, net of allowance for uncollectible accounts of approximately \$44,000 and \$79,000 at December 31, 2019 and 2018, respectively	118,805	205,721
Grants, contracts and other receivables	26,747	70,717
Pharmacy receivable	60,974	98,715
Inventory	92,354	88,538
Prepaid expenses	35,639	68,496
Total current assets	639,440	711,474
Property and Equipment, net	2,068,393	2,062,393
Total assets	<u>\$ 2,707,833</u>	<u>\$ 2,773,867</u>
Liabilities and Net Assets		
Current Liabilities:		
Current portion of long-term debt	\$ 45,118	\$ 43,185
Accounts payable and accrued expenses	534,439	665,743
Deferred revenue	19,539	42,716
Total current liabilities	599,096	751,644
Long-Term Debt, net	246,455	190,871
Total liabilities	845,551	942,515
Net Assets:		
Without donor restrictions:		
Operating	85,462	3,015
Property and equipment	1,776,820	1,828,337
Total net assets without donor restrictions	1,862,282	1,831,352
Total liabilities and net assets	<u>\$ 2,707,833</u>	<u>\$ 2,773,867</u>

INDIAN STREAM HEALTH CENTER, INC.**Statements of Activities and Changes in Net Assets
For the Years Ended December 31, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
Operating Support and Revenue:		
Grants and contracts	\$ 2,626,576	\$ 2,319,662
Net patient service revenue	1,975,751	2,507,651
Pharmacy revenue	1,425,971	1,249,398
Other income	<u>23,165</u>	<u>79,936</u>
Total operating support and revenue	<u>6,051,463</u>	<u>6,156,647</u>
Operating Expenses:		
Program services	3,881,594	4,398,346
General and administrative	<u>2,188,095</u>	<u>2,040,551</u>
Total operating expenses	<u>6,069,689</u>	<u>6,438,897</u>
Changes in net assets without donor restrictions from operations	(18,226)	(282,250)
Non-Operating Revenue:		
Capital grant	<u>49,156</u>	<u>-</u>
Changes in net assets without donor restrictions	30,930	(282,250)
Net Assets Without Donor Restrictions:		
Beginning of year	<u>1,831,352</u>	<u>2,113,602</u>
End of year	<u>\$ 1,862,282</u>	<u>\$ 1,831,352</u>

INDIAN STREAM HEALTH CENTER, INC.

Statements of Cash Flows

For the Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash Flows from Operating Activities:		
Changes in net assets without donor restrictions	\$ 30,930	\$ (282,250)
Adjustments to reconcile changes in net assets without donor restrictions to net cash provided by operating activities:		
Bad debt (recovery)	(30,487)	127,717
Depreciation	144,000	147,544
Construction in progress written off	-	25,342
Amortization of debt issuance costs	636	636
Capital grant	(49,156)	-
Changes in operating assets and liabilities:		
Patient services accounts receivable, net	117,403	(160,719)
Grants, contracts and other receivables	43,970	(17,942)
Pharmacy receivable	37,741	63,746
Inventory	(3,816)	10,440
Prepaid expenses	32,857	14,975
Accounts payable and accrued expenses	(131,304)	82,566
Deferred revenue	(23,177)	37,296
Net cash provided by operating activities	<u>169,597</u>	<u>49,351</u>
Cash Flows from Investing Activities:		
Acquisition of property and equipment	<u>(150,000)</u>	<u>-</u>
Cash Flows from Financing Activities:		
Proceeds from long-term debt	100,000	-
Capital grant	49,156	-
Principal payments on long-term debt	<u>(43,119)</u>	<u>(41,185)</u>
Net cash provided by (used in) financing activities	<u>106,037</u>	<u>(41,185)</u>
Net Change in Cash	125,634	8,166
Cash:		
Beginning of year	<u>179,287</u>	<u>171,121</u>
End of year	<u>\$ 304,921</u>	<u>\$ 179,287</u>

The accompanying notes are an integral part of these statements.

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INDIAN STREAM HEALTH CENTER, INC.

Statements of Functional Expenses

For the Years Ended December 31, 2019 and 2018

	2019			2018		
	Program Services	General and Adminis- trative	Total	Program Services	General and Adminis- trative	Total
Operating Expenses:						
Salaries and related:						
Salaries and wages	\$ 2,262,073	\$ 1,009,557	\$ 3,271,630	\$ 2,261,631	\$ 1,016,095	\$ 3,277,726
Payroll taxes and fringe benefits	456,668	316,440	773,108	638,181	219,477	857,658
Total salaries and related	2,718,741	1,325,997	4,044,738	2,899,812	1,235,572	4,135,384
Pharmacy costs	714,223	-	714,223	587,300	-	587,300
Contract services	179,288	472,531	651,819	243,010	487,858	730,868
Occupancy	104,715	96,632	201,347	142,659	58,386	201,045
Supplies	30,080	116,312	146,392	132,269	41,148	173,417
Other expenses	59,415	60,416	119,831	115,431	141,608	257,039
Insurance	26,857	24,785	51,642	38,763	15,865	54,628
Transportation	4,178	11,353	15,531	6,690	5,317	12,007
Interest expense	-	10,653	10,653	-	11,948	11,948
Bad debts (recovery)	(30,487)	-	(30,487)	127,717	-	127,717
Total operating expenses before depreciation	3,807,010	2,118,679	5,925,689	4,293,651	1,997,702	6,291,353
Depreciation	74,584	69,416	144,000	104,695	42,849	147,544
Total expenses	\$ 3,881,594	\$ 2,188,095	\$ 6,069,689	\$ 4,398,346	\$ 2,040,551	\$ 6,438,897

The accompanying notes are an integral part of these statements.

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INDIAN STREAM HEALTH CENTER, INC.

Notes to Financial Statements
December 31, 2019 and 2018

1. OPERATIONS AND TAX STATUS

Operations

Indian Stream Health Center, Inc. (the Health Center) is a nonprofit corporation organized in New Hampshire. The Health Center is a Federally Qualified Health Center (FQHC) which provides outpatient healthcare and disease prevention services to residents of rural communities located in New Hampshire, Vermont and Maine.

The U.S. Department of Health and Human Services (HHS) provides substantial support to the Health Center. The Health Center is obligated under the terms of the HHS grants to comply with specified conditions and programs requirements set forth by the grantor.

Tax Status

The Health Center is exempt from Federal income taxes as an organization (not a private foundation) formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code (IRC). The Health Center is also exempt from state income taxes. Contributions made to the Health Center may be deducted within the IRC regulations.

2. SIGNIFICANT ACCOUNTING POLICIES

The Health Center prepares its financial statements in accordance with generally accepted accounting standards (U.S. GAAP) and principles established by the Financial Accounting Standards Board (FASB). References to U.S. GAAP in these notes are to the FASB Accounting Standards Codification (ASC).

Recently Adopted Accounting Pronouncement

Revenue Recognition – Contributions Received

During 2019, the Health Center adopted FASB's Accounting Standards Update (ASU) No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU assists organizations in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions. In addition, it clarifies whether a contribution is conditional. As a result, it enhances comparability of financial information among not-for-profit entities.

The Health Center adopted ASU No. 2018-08 using a modified retrospective method effective January 1, 2019. Under the modified retrospective method, this ASU only applies to agreements not completed or entered into (revenue or expense that has not yet been recognized) as of January 1, 2019. As a result, the 2018 financial statements are not restated and there was no cumulative-effect adjustment to opening net assets as of January 1, 2019.

Inventory

Inventory consists of pharmacy outpatient drugs. This inventory is accounted for at the lower of cost (as determined by the first-in, first-out (FIFO) method) or net realizable value.

Patient Services Accounts Receivable

Patient services accounts receivable are recorded net of contractual allowances (see page 9) and an allowance for uncollectible accounts. Management estimates the allowance based on its analysis of specific accounts and payors. Accounts are written off when they are determined to be uncollectible.

INDIAN STREAM HEALTH CENTER, INC.

Notes to Financial Statements
December 31, 2019 and 2018

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Grants, Contracts and Other Receivables and Allowance for Doubtful Accounts

The Health Center carries its grants, contracts and other receivables at net realizable value. Grants, contracts and other receivables are expected to be collected in the subsequent year. The Health Center evaluates its receivables and establishes an allowance for doubtful accounts based on collections experience and current conditions. During the years ended December 31, 2019 and 2018, there was no allowance recorded as these receivables were deemed to be collectible.

Property and Equipment and Depreciation

The Health Center has a policy of capitalizing assets with a cost over \$5,000. Property and equipment are recorded at cost, if purchased, or at estimated fair value, if donated. Depreciation is computed using the straight-line method over the following estimated useful lives (see Note 4):

Buildings and improvements	40 years
Leasehold improvements	Term of lease
Furniture, equipment and software	3 - 10 years

Land is not depreciated.

The Health Center accounts for the carrying value of its property and equipment in accordance with the requirements of ASC Topic, *Property, Plant and Equipment*. The carrying value is evaluated annually for impairment and no impairment loss was recognized in 2019 or 2018.

Net Assets

Net Assets Without Donor Restrictions:

Net assets without donor restrictions are those net resources that bear no external restrictions and are generally available for use by the Health Center. The Health Center has grouped its net assets without donor restrictions into the following categories:

Operating net assets represent funds available to carry on the operations of the Health Center.

Property and equipment net assets reflect and account for the activities relating to the Health Center's property and equipment, net of related debt.

Net Assets With Donor Restrictions:

The Health Center receives grants and contributions which are designated by donors for specific purposes. These grants and contributions are recorded as net assets with donor restrictions until they are expended for their designated purposes. At December 31, 2019 and 2018, there were no net assets with donor restrictions.

Estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

INDIAN STREAM HEALTH CENTER, INC.

Notes to Financial Statements
December 31, 2019 and 2018

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements

The Health Center follows the accounting and disclosure standards pertaining to ASC Topic, *Fair Value Measurements*, for qualifying assets and liabilities. Fair value is defined as the price that the Health Center would receive upon selling an asset or pay to settle a liability in an orderly transaction between market participants.

The Health Center uses a framework for measuring fair value that includes a hierarchy that categorizes and prioritizes the sources used to measure and disclose fair value. This hierarchy is broken down into three levels based on inputs that market participants would use in valuing the financial instruments based on market data obtained from sources independent of the Health Center. Inputs refer broadly to the assumptions that market participants would use in pricing the financial instrument, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the financial instrument developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset developed based on the best information available.

The three-tier hierarchy of inputs is summarized in the three broad levels as follows:

- Level 1: Inputs that reflect unadjusted quoted prices in active markets for identical assets at the measurement date.
- Level 2: Inputs other than quoted prices that are observable for the asset either directly or indirectly, including inputs in markets that are not considered to be active.
- Level 3: Inputs that are unobservable and which require significant judgment or estimation.

An asset or liability's level within the framework is based upon the lowest level of any input that is significant to the fair value measurement. All qualifying assets and liabilities are valued using Level 1 inputs.

Debt Issuance Costs

Debt issuance costs are amortized over the period the related obligation is outstanding using the straight-line method, which approximates the effective interest method. Amortization expense was \$636 for the years ended December 31, 2019 and 2018, and is included in interest expense in the accompanying statements of functional expenses.

Revenue Recognition

In accordance with ASC Subtopic 958-605, *Revenue Recognition*, the Health Center must determine whether a contribution (or a promise) is conditional or unconditional for transactions deemed to be a contribution. A contribution is considered to be a conditional contribution if an agreement includes a barrier that must be overcome and either a right of return of assets or a right of release of a promise to transfer assets exists. Indicators of a barrier include a measurable performance-related barrier or other measurable barriers, a stipulation that limits discretion by the recipient on the conduct of an activity, and stipulations that are related to the purpose of the agreement. Topic 958 prescribes that the Health Center should not consider probability of compliance with the barrier when determining if such awards are conditional and should be reported as conditional grant advance liabilities until such conditions are met. For contributions that have been recognized prior to adoption of Topic 958, the standard is not required to be retrospectively applied.

INDIAN STREAM HEALTH CENTER, INC.

Notes to Financial Statements
December 31, 2019 and 2018

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

Contracts, grants and contributions are recorded as services are provided and costs are incurred. Contributions with donor restrictions are recorded as revenues and net assets with donor restrictions when unconditionally received or pledged. Transfers are made to net assets without donor restrictions as costs are incurred or time restrictions or program restrictions have lapsed. Donor restricted grants received and satisfied in the same period are included in net assets without donor restrictions.

Patient service and pharmacy revenue are recorded as services are provided. The Health Center establishes fees for services to patients based upon the patient's ability to pay for these services. Net patient service revenue reflects the amounts to be collected after provisions for contractual allowances and free care. Contractual allowances are accrued on an estimated basis in the period the related services are rendered. Net patient service revenue is adjusted as required based on agreed upon rates and final settlements. In general, the Health Center is reimbursed from third party payors based on negotiated rates, procedural fee schedules, and discounted charges. Contractual allowances for the years ended December 31, 2019 and 2018, were approximately \$1,194,500 and \$2,009,000, respectively.

All other revenue is recognized when earned.

Measuring Charity Care

The Health Center has a policy of providing free care services to patients who are unable to pay or to those who may be underinsured. Such patients are identified based upon financial information obtained from the patient prior to services being rendered. Since the Health Center does not expect payment, estimated charges for free care are not included in the net patient service revenue. The Health Center provided approximately \$172,000 and \$225,000 of free care services during the years ended December 31, 2019 and 2018, respectively. The opportunity cost of providing the services was approximately \$315,000 and \$279,000 for the years ended December 31, 2019 and 2018, respectively. The opportunity cost of providing free care was calculated by multiplying the percentage of gross free care charges to total gross patient charges by the total cost of providing patient services. During the year ended December 31, 2019, the Health Center received a \$300,000 community benefit grant from Upper Connecticut Valley Hospital (UCVH) to offset some of the free care services costs (see Note 13).

In-Kind Goods and Services

Organizations contribute goods and services to the Health Center in support of various aspects of its programs. These goods and services are reflected in the accompanying financial statements based upon the estimated value assigned to them by the donating organizations or by management. The value of these goods and services was approximately \$57,000 for the year ended December 31, 2018, and is included in other income and supplies in the accompanying statements of activities and changes in net assets and functional expenses, respectively. There were no donated goods or services received during 2019.

Deferred Revenue

Deferred revenue represents cash received on contracts where services have not yet been completed.

INDIAN STREAM HEALTH CENTER, INC.

Notes to Financial Statements
December 31, 2019 and 2018

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Advertising Costs

The Health Center expenses advertising costs as they are incurred.

Expense Allocation

Expenses related directly to a function are distributed to that function, while other expenses are allocated based upon management's estimate of the percentage attributable to each function.

Certain categories of expenses are attributable to more than one program or supporting function and are allocated on a reasonable basis that is consistently applied. The expenses that are allocated are insurance, occupancy and depreciation, which are allocated on a square footage basis.

Income Taxes

The Health Center accounts for uncertainty in income taxes in accordance with ASC Topic, *Income Taxes*. This standard clarifies the accounting for uncertainty in tax positions and prescribes a recognition threshold and measurement attribute for the financial statements regarding a tax position taken or expected to be taken in a tax return. The Health Center has determined that there are no uncertain tax positions which qualify for either recognition or disclosure in the financial statements at December 31, 2019 and 2018. The Health Center's information return is subject to examination by the Federal jurisdiction.

Subsequent Events

Subsequent events have been evaluated through October 29, 2020, which is the date the financial statements were available to be issued. See Note 12 for events that met the criteria for disclosure in the financial statements.

3. FUNDING

The Health Center receives a significant portion of its funding from the U.S. Department of Health and Human Services, Health Resources and Services Administration (HRSA) (approximately 34% and 33% of total operating support and revenue for the years ended December 31, 2019 and 2018, respectively). These reimbursements are subject to audit by HRSA. In the opinion of management, the results of such audits, if any, will not have a material effect on the financial position of the Health Center as of December 31, 2019 and 2018, or on the changes in its net assets for the years then ended.

The Health Center charges patients and third parties for services provided. Charges made to most third-party payors for patient services are periodically reviewed and adjusted based upon the submission of cost reports and possible subsequent audits. In the opinion of management, the effect of such cost determinations or adjustments, if any, will not have a material effect on the financial position or results of operations of the Health Center for the years ended December 31, 2019 and 2018.

INDIAN STREAM HEALTH CENTER, INC.Notes to Financial Statements
December 31, 2019 and 2018**4. PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following at December 31:

	<u>2019</u>	<u>2018</u>
Land	\$ 60,000	\$ 60,000
Buildings and improvements	2,034,011	2,034,011
Leasehold improvements	285,704	285,704
Furniture, equipment and software	607,750	457,750
	<u>2,987,465</u>	<u>2,837,465</u>
Less - accumulated depreciation	<u>919,072</u>	<u>775,072</u>
	<u>\$ 2,068,393</u>	<u>\$ 2,062,393</u>

Depreciation expense was \$144,000 and \$147,544 for the years ended December 31, 2019 and 2018, respectively.

Included in furniture, equipment and software at December 31, 2019, is \$150,000 of costs relating to an electronic health records (EHR) purchase and upgrade. The EHR project is expected to be completed and placed into service during 2020 at a full cost of \$225,000. The project is being funded through a note payable and a grant from UCVH (see below and 13).

5. LONG-TERM DEBT

Long-term debt consists of the following at December 31:

	<u>2019</u>	<u>2018</u>
Note payable to a local bank with interest at 4.6%. Monthly principal and interest payments of \$2,466 are due through December 2023. The note is collateralized by a first mortgage on property and equipment with 90% of the outstanding balance guaranteed by the United States Department of Agriculture (USDA).	\$ 107,927	\$ 131,949
Non-interest bearing note payable to UCVH with maximum borrowings of \$175,000. Beginning on June 1, 2022, monthly principal payments of \$4,167 are due through May 2024. At December 31, 2019, \$100,000 of the note was drawn and subsequent to year end, the Health Center drew down additional proceeds (see Note 12).	100,000	-
Note payable to a local bank with an interest rate 4.6%. Monthly principal and interest payments of \$1,962 are due through December 2023. The note is collateralized by a second mortgage on property and equipment with 90% of the outstanding balance guaranteed by the USDA.	<u>86,209</u>	<u>105,306</u>
	<u>294,136</u>	<u>237,255</u>
Less - unamortized debt issuance costs	<u>2,563</u>	<u>3,199</u>
Less - current portion	<u>45,118</u>	<u>43,185</u>
	<u>\$ 246,455</u>	<u>\$ 190,871</u>

INDIAN STREAM HEALTH CENTER, INC.

Notes to Financial Statements
December 31, 2019 and 2018

5. LONG-TERM DEBT (Continued)

Future minimum principal payments under these agreements for the next five years are as follows:

2020	\$ 45,118
2021	\$ 46,786
2022	\$ 78,151
2023	\$ 103,248
2024	\$ 20,833

There are no loan covenants for any of the long-term debt with which the Health Center must comply.

6. PENSION PLAN

The Health Center sponsors a simple individual retirement account (IRA) defined contribution plan that includes a 3% employer matching contribution. The Health Center contributed \$73,664 and \$76,825 to the plan during the years ended December 31, 2019 and 2018, respectively, which are included in payroll taxes and fringe benefits in the accompanying statements of functional expenses.

7. LEASE COMMITMENTS

The Health Center leases program and administrative space from an unrelated party under an agreement that expires in April 2030. The Health Center also leases a parking lot from an unrelated party under an agreement that expires in October 2045. Rent expense was \$7,375 and \$8,323 for the years ended December 31, 2019 and 2018, respectively, and is included in occupancy in the accompanying statements of functional expenses.

Future minimum lease payments for the next five years are as follows:

2020	\$ 7,389
2021	7,671
2022	7,671
2023	7,671
2024	7,671
Thereafter	<u>62,448</u>
Total	<u>\$ 100,521</u>

8. MEDICAL MALPRACTICE INSURANCE

The Health Center is insured for professional liability coverage through the Federal Bureau of Primary Health Care, known as the Federal Tort Claims Act (FTCA), in accordance with the Public Health Services Act. This coverage is provided to the Health Center through its Section 330 Community Health Center grant administered by HRSA. The coverage afforded to the Health Center is comparable to an occurrence-based policy without a monetary cap. The coverage is applicable to the Health Center, its officers, Board members, employees, and contractors who are physicians or other licensed or certified health care practitioners.

INDIAN STREAM HEALTH CENTER, INC.

Notes to Financial Statements
December 31, 2019 and 2018

9. CONCENTRATIONS

The Health Center maintains its cash balances in a local bank, which are insured within the limits of the Federal Deposit Insurance Corporation (FDIC). At certain times during the year, the cash balances exceeded the insured amount. The Health Center has not experienced any losses in such accounts. The Health Center's management believes the Health Center is not exposed to any significant credit risk on cash.

The Health Center had the following concentrations of payers within patient services accounts receivable and net patient service revenue as of and for the years ended December 31:

	2019		2018	
	<u>Net Patient Services Accounts Receivable</u>	<u>Net Patient Service Revenue</u>	<u>Net Patient Services Accounts Receivable</u>	<u>Net Patient Service Revenue</u>
Medicare	32%	44%	40%	48%
Medicaid	19%	28%	16%	27%
Commercial	25%	27%	24%	24%

10. CONTINGENCIES

Disputes and Regulations

In the ordinary course of the Health Center's business, the Health Center is from time-to-time involved in disputes concerning business and employment matters of the Health Center. While the parties involved are seeking damages in connection with these disputes, the Health Center denies any wrongdoing in these cases and is taking the appropriate legal steps in defense of these disputes. It is the Health Center's opinion that any potential settlement would not be material to the accompanying financial statements.

The Health Center is subject to voluminous and complex laws and regulations of Federal, state and local governments. Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government healthcare program participation requirements, reimbursement laws and regulations, anti-kickback and anti-referral laws, and false claims prohibitions.

COVID-19 Pandemic

During 2020, COVID-19 was recognized as a global pandemic. Federal, state and local governments in the United States have imposed restrictions on travel and business operations. Temporary closures of certain businesses were also ordered in certain jurisdictions. Consequently, the COVID-19 outbreak severely restricted the level of economic activity. The adverse impact of COVID-19 on the Health Center's businesses, operating results, cash flows and financial condition primarily will be driven by the severity and duration of the pandemic; the timing, scope and impact of stimulus legislation, and other Federal, state and local governmental responses to the pandemic. As a result, the adverse impact COVID-19 will have on the Health Center's businesses, operating results, cash flows and financial condition is uncertain, but the adverse impact could be material.

INDIAN STREAM HEALTH CENTER, INC.

Notes to Financial Statements
December 31, 2019 and 2018

11. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

Financial assets available for use by the Health Center within one year from the statements of financial position date are as follows as of December 31:

	<u>2019</u>	<u>2018</u>
Cash	\$ 304,921	\$ 179,287
Patient services accounts receivable, net	118,805	205,721
Grants, contracts and other receivables	26,747	70,717
Pharmacy receivable	<u>60,974</u>	<u>98,715</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 511,447</u>	<u>\$ 554,440</u>

The Health Center has a policy to structure its financial assets to be available and liquid as its obligations become due. As of December 31, 2019 and 2018, the Health Center has financial assets equal to approximately one month of operating expenses.

The Health Center has had significant operating losses in recent years and has made critical staffing changes in the finance team as part of a strategic plan to recover the profitability of the Health Center. Due to these strategic efforts, including cost control, fundraising and expansion of profitable services such as pharmacy activities, management has reduced their operating loss between 2018 and 2019 by approximately \$264,000. The Health Center expects a positive change in net assets from operations in 2020 and beyond.

12. SUBSEQUENT EVENTS

UCVH

By May 2020, the Health Center had drawn an additional \$71,694 on the note payable with UCVH (see Notes 5 and 13).

CARES Act Funding

In May 2020, the Health Center received \$287,286 under the Coronavirus Aid, Relief and Economic Security Act (CARES Act) through the Provider Relief Funds (PRF) Program through HRSA. PRFs were appropriated for healthcare-related expenses on lost revenues attributable to COVID-19.

In April 2020, the Health Center applied for and was awarded a loan of \$494,900 from the Paycheck Protection Program established by the CARES Act. The funds are to be used to pay certain payroll costs and benefits during a covered period as defined in the CARES Act. A portion of these funds may be forgiven, as defined in the agreement, at the end of the covered period and the remainder of the funds will be due over a two-year period with interest at 1%. Any repayment will be deferred until ten months after the end of the covered period, when the note, plus interest, will be due in equal monthly payments through maturity. The forgiveness calculations are subject to review and approval by the lending bank and the Small Business Association (SBA).

In April 2020, the Health Center also applied for and was awarded a loan of \$499,900 from the Economic Injury Disaster Loan program available through the SBA. The funds are to be used to maintain capacity of the Health Center. The loan carries interest at 2.75% over a thirty year period and payments on the loan are deferred until April 2021.

INDIAN STREAM HEALTH CENTER, INC.

Notes to Financial Statements
December 31, 2019 and 2018

12. SUBSEQUENT EVENTS (Continued)

CHAN Network

In October 2020, the Health Center joined Community Health Access Network (CHAN). CHAN's primary purpose is to enable member agencies to develop the program and other resources necessary to assure access to efficient, effective quality health care for all clients in their communities. CHAN hosts a central Electronic Health Record, Practice Management billing system, and a data warehouse to support the member reporting needs and facilitates shared learning of best practices among its members. This membership was made as part of the strategic initiative to recover profitability of the Health Center.

13. RELATED PARTY TRANSACTIONS

A member of the Board of Directors is an employee of UCVH which provided a \$300,000 operating grant, \$50,000 capital grant, and a note payable of up to \$175,000 during the year ended December 31, 2019.

From time-to-time, the Health Center receives grants from various agencies of which members of management of the Health Center are on the Board of Directors.

14. RECLASSIFICATIONS

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



**FINANCIAL STATEMENTS IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS
AND UNIFORM GUIDANCE
DECEMBER 31, 2019 AND 2018**

INDIAN STREAM HEALTH CENTER, INC.

Contents
December 31, 2019 and 2018

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**Unmodified Opinion on Financial Statements Accompanied by
Other Information – Not-For-Profit Entity**

Independent Auditor's Report

To the Board of Directors of
Indian Stream Health Center, Inc.:

Report on the Financial Statements

We have audited the accompanying financial statements of Indian Stream Health Center, Inc. (a Massachusetts corporation, not for profit) (the Health Center) which comprise the statement of financial position as of December 31, 2019, and the related statements of activities and changes in net assets, cash flows and functional expenses for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to on page one present fairly, in all material respects, the financial position of Indian Stream Health Center, Inc. as of December 31, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The comparative information of Indian Stream Health Center, Inc. as of December 31, 2018, was audited by other auditors whose report dated September 17, 2019, expressed an unmodified opinion on those financial statements.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards for the year ended December 31, 2019, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2020, on our consideration of the Health Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to solely 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 Health Center's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Health Center's internal control over financial reporting and compliance.

Westborough, Massachusetts
October 29, 2020

INDIAN STREAM HEALTH CENTER, INC.

Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2019

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass Through Entity Identifying Number	Federal Expenditures
U.S. Department of Health and Human Services:			
Direct Program:			
Health Center Program Cluster:			
Health Center Program (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care)	93.224	N/A	\$ 526,160
Grants for New and Expanded Services Under the Health Center Program	93.527	N/A	<u>1,417,543</u>
Total Health Center Program Cluster			1,943,703
Passed-Through the State of New Hampshire Department of Health and Human Services:			
Maternal and Child Health Services Block Grant to the States	93.994	B04MC30627	<u>20,539</u>
Total Expenditures of Federal Awards			<u><u>\$ 1,964,242</u></u>

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the Federal assistance activity of the Health Center and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

Note 2. Indirect Cost Rate

The Health Center has elected not to use the 10% de minimis cost rate for its Federal programs.



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**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**

Independent Auditor's Report

To the Board of Directors of
Indian Stream Health Center, Inc.:

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 Indian Stream Health Center, Inc. (the Health Center), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities and changes in net assets, cash flows and functional expenses for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 29, 2020.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

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 Health Center's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Health Center's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Westborough, Massachusetts
October 29, 2020



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**Report on Compliance for Each Major Federal Program and Report on Internal Control
Over Compliance Required by the Uniform Guidance**

Independent Auditor's Report

To the Board of Directors of
Indian Stream Health Center, Inc.:

Report on Compliance for Each Major Federal Program

We have audited Indian Stream Health Center, Inc.'s (the Health Center) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Health Center's major Federal program for the year ended December 31, 2019. The Health Center's major Federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Health Center's major Federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the Health Center's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Health Center complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major Federal program for the year ended December 31, 2019.

Report on Internal Control Over Compliance

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

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

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

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

Westborough, Massachusetts
October 29, 2020

INDIAN STREAM HEALTH CENTER, INC.Schedule of Findings and Questioned Costs
December 31, 2019

1. SUMMARY OF AUDITOR'S RESULTS**Financial Statements**

Type of auditor's report issued on whether the financial statements audited were prepared in accordance with U.S. GAAP: Unmodified

Is a "going concern" emphasis-of-matter paragraph included in the auditor's report? Yes X No

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? Yes X No**Federal Awards**

Internal control over the major Federal program:

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

Type of auditor's report issued on compliance for the major Federal program: Unmodified

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

Identification of the major Federal program:

<u>Name of Federal Program or Cluster</u>	<u>CFDA Number</u>
Health Center Program Cluster	93.224 93.527

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

Auditee qualified as low-risk auditee? Yes X No

INDIAN STREAM HEALTH CENTER, INC.

**Schedule of Findings and Questioned Costs
December 31, 2019**

2. FINANCIAL STATEMENT FINDINGS

None

3. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

INDIAN STREAM HEALTH CENTER, INC.

Schedule of Prior Year Findings and Questioned Costs
December 31, 2019

STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

Material Weakness – Internal Control Over Financial Reporting

Finding 2018-001 – Cut-Off of Expenses

Expenses should be recorded in the period in which they are incurred to ensure the financial statements are presented fairly in accordance with accounting principles generally accepted in the United States of America (GAAP). Multiple instances were noted in which expenses incurred during 2018 were not properly accrued for at year end, requiring adjustments to properly account for the transactions in the correct accounting period.

Status: This finding was resolved as of December 31, 2019.

Significant Deficiency – Internal Control Over Major Federal Program

Finding 2018-002 – Report Filing

Federal Program Names: Health Center Program Cluster, Health Center Program, Grants for New and Expanded Services under the Health Center Program

CFDA Numbers: 93.224 and 93.527

In accordance with the Uniform Guidance, quarterly reports of recipients of Federal funds are required to be submitted within 30 days after the end of each fiscal quarter. The Health Center did not submit their first quarterly report on a timely basis.

Status: This finding was resolved as of December 31, 2019.