

APPENDIX F

HealthFirst Audited Financial Statements FY 22



FINANCIAL STATEMENTS

and

REPORTS IN ACCORDANCE WITH *GOVERNMENT AUDITING
STANDARDS AND THE UNIFORM GUIDANCE*

September 30, 2022 and 2021

With Independent Auditor's Reports



INDEPENDENT AUDITOR'S REPORT

Board of Directors
HealthFirst Family Care Center, Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of HealthFirst Family Care Center, Inc. (the Organization), which comprise the balance sheets as of September 30, 2022 and 2021, and the related statements of operations and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of September 30, 2022 and 2021, and the results of its operations, changes in its net assets and its cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern 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 U.S. generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with U.S. 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 the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

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

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 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 U.S. generally accepted auditing standards. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2023 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Berry Dunn McNeil & Parker, LLC

Portland, Maine
January 31, 2023

HEALTHFIRST FAMILY CARE CENTER, INC.

Balance Sheets

September 30, 2022 and 2021

ASSETS

	<u>2022</u>	<u>2021</u>
Current assets		
Cash and cash equivalents	\$ 3,241,036	\$ 2,946,398
Short-term certificates of deposit	936,933	935,086
Patient accounts receivable	603,886	736,592
Grants receivable	546,838	113,256
Other current assets	<u>-</u>	<u>701</u>
Total current assets	5,328,693	4,732,033
Long-term certificates of deposit	57,043	56,742
Assets limited as to use	204,326	195,190
Property and equipment, net	<u>1,653,559</u>	<u>1,606,940</u>
Total assets	<u>\$ 7,243,621</u>	<u>\$ 6,590,905</u>

LIABILITIES AND NET ASSETS

Current liabilities		
Accounts payable and accrued expenses	\$ 121,040	\$ 200,020
Accrued payroll and related expenses	674,080	501,192
Due to third-party payers	483,055	296,297
Deferred revenue	69,854	68,372
Provider Relief Fund refundable advance	74,234	-
Current portion of long-term debt	<u>62,594</u>	<u>60,162</u>
Total current liabilities	1,484,857	1,126,043
Long-term debt, less current portion	<u>1,316,264</u>	<u>1,377,667</u>
Total liabilities	2,801,121	2,503,710
Net assets		
Without donor restrictions	<u>4,442,500</u>	<u>4,087,195</u>
Total liabilities and net assets	<u>\$ 7,243,621</u>	<u>\$ 6,590,905</u>

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

HEALTHFIRST FAMILY CARE CENTER, INC.

Statements of Operations and Changes in Net Assets

Years Ended September 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Operating revenue		
Net patient service revenue	\$ 5,985,581	\$ 5,308,955
Grants, contracts and contributions	2,545,307	3,244,583
Other operating revenue	<u>23,661</u>	<u>156,715</u>
Total operating revenue	<u>8,554,549</u>	<u>8,710,253</u>
Operating expenses		
Salaries and wages	4,615,736	4,155,669
Employee benefits	978,936	918,513
Program supplies	546,508	497,066
Contracted services	914,576	606,227
Occupancy	145,625	145,524
Information technology	385,304	561,253
Other	489,481	547,518
Depreciation	67,208	66,230
Interest	<u>55,870</u>	<u>58,205</u>
Total operating expenses	<u>8,199,244</u>	<u>7,556,205</u>
Excess of revenue over expenses	355,305	1,154,048
Grants for capital acquisition	<u>-</u>	<u>10,732</u>
Increase in net assets without donor restrictions	355,305	1,164,780
Net assets, beginning of year	<u>4,087,195</u>	<u>2,922,415</u>
Net assets, end of year	<u>\$ 4,442,500</u>	<u>\$ 4,087,195</u>

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

HEALTHFIRST FAMILY CARE CENTER, INC.

Statements of Functional Expenses

Years Ended September 30, 2022 and 2021

	<u>2022</u>		
	<u>Healthcare Services</u>	<u>Support Services</u>	<u>Total</u>
Salaries and wages	\$ 3,914,418	\$ 701,318	\$ 4,615,736
Employee benefits	830,196	148,740	978,936
Program supplies	546,508	-	546,508
Contracted services	782,396	132,180	914,576
Occupancy	123,499	22,126	145,625
Information technology	326,761	58,543	385,304
Other	415,109	74,372	489,481
Depreciation	56,996	10,212	67,208
Interest	<u>47,381</u>	<u>8,489</u>	<u>55,870</u>
Total operating expenses	<u>\$ 7,043,264</u>	<u>\$ 1,155,980</u>	<u>\$ 8,199,244</u>
	<u>2021</u>		
	<u>Healthcare Services</u>	<u>Support Services</u>	<u>Total</u>
Salaries and wages	\$ 3,461,919	\$ 693,750	\$ 4,155,669
Employee benefits	765,175	153,338	918,513
Program supplies	497,066	-	497,066
Contracted services	479,050	127,177	606,227
Occupancy	121,230	24,294	145,524
Information technology	467,557	93,696	561,253
Other	456,115	91,403	547,518
Depreciation	55,174	11,056	66,230
Interest	<u>48,488</u>	<u>9,717</u>	<u>58,205</u>
Total operating expenses	<u>\$ 6,351,774</u>	<u>\$ 1,204,431</u>	<u>\$ 7,556,205</u>

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

HEALTHFIRST FAMILY CARE CENTER, INC.

Statements of Cash Flows

Years Ended September 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities		
Change in net assets	\$ 355,305	\$ 1,164,780
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	67,208	66,230
Grants for capital acquisition	-	(10,732)
(Increase) decrease in the following assets		
Patient accounts receivable	132,706	(63,974)
Grants receivable	(433,582)	162,263
Other current assets	701	42,594
Increase (decrease) in the following liabilities		
Accounts payable and accrued expenses	(78,980)	74,233
Accrued payroll and related expenses	172,888	(29,297)
Due to third-party payers	186,758	296,297
Deferred revenue	1,482	18,182
Provider Relief Fund refundable advance	74,234	(502,578)
Paycheck Protection Program refundable advance	-	(10,000)
COVID-19 Emergency Healthcare System Relief Fund refundable advance	-	(250,000)
Net cash provided by operating activities	<u>478,720</u>	<u>957,998</u>
Cash flows from investing activities		
Capital expenditures	(113,827)	(74,971)
Reinvestment of certificates of deposit interest	<u>(2,148)</u>	<u>(2,503)</u>
Net cash used by investing activities	<u>(115,975)</u>	<u>(77,474)</u>
Cash flows from financing activities		
Repayments on line of credit	-	(14,835)
Grants for capital acquisition	-	10,732
Principal payments on long-term debt	<u>(58,971)</u>	<u>(56,634)</u>
Net cash used by financing activities	<u>(58,971)</u>	<u>(60,737)</u>
Net increase in cash and cash equivalents and restricted cash	303,774	819,787
Cash and cash equivalents and restricted cash, beginning of year	<u>3,141,588</u>	<u>2,321,801</u>
Cash and cash equivalents and restricted cash, end of year	<u>\$ 3,445,362</u>	<u>\$ 3,141,588</u>

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

HEALTHFIRST FAMILY CARE CENTER, INC.

Statements of Cash Flows (Concluded)

Years Ended September 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Composition of cash and cash equivalents and restricted cash, end of year		
Cash and cash equivalents	\$ 3,241,036	\$ 2,946,398
Assets limited as to use	<u>204,326</u>	<u>195,190</u>
	<u>\$ 3,445,362</u>	<u>\$ 3,141,588</u>
Supplemental cash flow disclosure		
Cash paid for interest	\$ <u>55,870</u>	\$ <u>58,205</u>

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

HEALTHFIRST FAMILY CARE CENTER, INC.

Notes to Financial Statements

September 30, 2022 and 2021

Organization

HealthFirst Family Care Center, Inc. (the Organization) is a not-for-profit corporation organized in the State of New Hampshire. The Organization is a Federally Qualified Health Center (FQHC), providing high-quality primary healthcare, treatment, prevention, and education services required by the residents in the Twin Rivers Region of New Hampshire, commensurate with available resources, and coordinating and cooperating with other community and regional healthcare providers to ensure the people of the region the fullest possible range of health services.

1. Summary of Significant Accounting Policies

Basis of Presentation

The financial statements of the Organization have been prepared in accordance with U.S. generally accepted accounting principles (U.S. GAAP), which require the Organization to report information in the financial statements according to the following net asset classifications:

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 Organization. These net assets may be used at the discretion of the Organization's management and the Board of Directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. There were no net assets with donor restrictions at September 30, 2022 and 2021.

Use of Estimates

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

Income Taxes

The Organization is a public charity under Section 501(c)(3) of the Internal Revenue Code. As a public charity, the Organization is exempt from state and federal income taxes on income earned in accordance with its tax-exempt purpose. Unrelated business income is subject to state and federal income tax. Management has evaluated the Organization's tax positions and concluded that the Organization has no unrelated business income or uncertain tax positions that require adjustment to the financial statements.

HEALTHFIRST FAMILY CARE CENTER, INC.

Notes to Financial Statements

September 30, 2022 and 2021

COVID-19 and Relief Funding

In March 2020, the World Health Organization declared coronavirus disease (COVID-19) a global pandemic and the United States federal government declared COVID-19 a national emergency. The Organization implemented an emergency response to ensure the safety of its patients, staff and the community. In adhering to guidelines issued by the State of New Hampshire and the Centers for Disease Control and Prevention, the Organization took steps to create safe distances between both staff and patients. Medical and behavioral health patient visits were done through telehealth when appropriate.

During 2022, the Organization received distributions of \$455,678 from the Provider Relief Fund (PRF) and American Rescue Plan (ARP) Rural Distribution (collectively, the Funds), which are funds to support healthcare providers in responding to the COVID-19 outbreak. The Funds are being administered by the U.S. Department of Health and Human Services (HHS). The Funds are to be used for qualifying expenses and to cover lost revenue due to COVID-19 through December 31, 2022. Unexpended funds at September 30, 2022 are reported as refundable advances in the balance sheet.

The various COVID-19 programs, including the Paycheck Protection Program and PRF, are complex and subject to interpretation. The programs may be subject to future investigation by governmental agencies. Any difference between amounts previously recognized and amounts subsequently determined to be recoverable or payable are adjusted in future periods as adjustments become known.

Cash and Cash Equivalents and Certificates of Deposit

Cash and cash equivalents consist of business checking and savings accounts, certificates of deposit with an original maturity of three months or less and petty cash funds. Certificates of deposit are set to autorenew for the same term upon maturity. Those with original maturity dates greater than three months but less than twelve months are reported as short-term and those with original maturity dates greater than twelve months are reported as long-term.

The Organization maintains cash and certificate of deposit balances at several financial institutions. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At various times throughout the year, the Organization's balances may exceed FDIC insurance. The Organization has not experienced any losses in such accounts and management believes it is not exposed to any significant risk.

Revenue Recognition and Patient Accounts Receivable

Net patient service revenue is reported at the amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing patient care. These amounts are due from patients and third-party payers (including commercial insurers and governmental programs). Generally, the Organization bills the patients and third-party payers several days after the services are performed. Revenue is recognized as performance obligations are satisfied.

HEALTHFIRST FAMILY CARE CENTER, INC.

Notes to Financial Statements

September 30, 2022 and 2021

Performance obligations are determined based on the nature of the services provided by the Organization. The Organization measures the performance obligations as follows:

- Medical, behavioral health and ancillary services are measured from the commencement of an in-person or virtual encounter with a patient to the completion of the encounter. Ancillary services provided the same day are considered to be part of the performance obligation and are not deemed to be separate performance obligations.
- Contract pharmacy services are measured when the prescription is dispensed to the patient as reported by the pharmacy administrator.

The majority of the Organization's performance obligations are satisfied at a point in time.

The Organization has determined that the nature, amount, timing and uncertainty of revenue and cash flows are affected by the payer. In assessing collectability, the Organization has elected the portfolio approach. The portfolio approach is being used as the Organization has a large volume of similar contracts with similar classes of customers (patients). The Organization reasonably expects that the effect of applying a portfolio approach to a group of contracts would not differ materially from considering each contract separately. Management's judgment to group the contracts by portfolio is based on the payment behavior expected in each portfolio category. As a result, aggregating all the contracts (which are at the patient level) by the particular payer or group of payers will result in the recognition of the same amount of revenue as applying the analysis at the individual patient level. Patient service revenue by payer is presented in Note 7.

The Organization bills the patients and third-party payers several days after the services are performed. A summary of payment arrangements follows:

Medicare

The Organization is primarily reimbursed for medical, behavioral health and ancillary services based on the lesser of actual charges or prospectively set rates for all FQHC services provided to a Medicare beneficiary on the same day. Certain other services provided to patients are reimbursed based on predetermined payment rates for each Current Procedural Terminology (CPT) code, which may be less than the Organization's public fee schedule.

Medicaid

The Organization is primarily reimbursed for medical, behavioral health and ancillary services provided to patients based on prospectively set rates for all FQHC services furnished to a Medicaid beneficiary on the same day. Certain other services provided to patients are reimbursed based on predetermined payment rates for each CPT code, which may be less than the Organization's public fee schedule.

HEALTHFIRST FAMILY CARE CENTER, INC.

Notes to Financial Statements

September 30, 2022 and 2021

Other Payers

The Organization has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. Under these arrangements, the Organization is reimbursed for services based on contractually obligated payment rates for each CPT code, which may be less than the Organization's public fee schedule.

Charity Care

The Organization provides care to patients who meet certain criteria under its sliding fee discount program and certain other programs. The Organization estimates the costs associated with providing care by calculating the ratio of total cost to total charges, and then multiplying that ratio by the gross uncompensated charges associated with providing care to eligible patients. The estimated cost of providing services to patients under the Organization charity care programs amounted to \$125,159 and \$50,507 for the years ended September 30, 2022 and 2021, respectively. The Organization is able to provide these services with a component of funds received through local community support and federal grants.

For uninsured patients who do not qualify under the Organization's charity care programs, the Organization bills the patient based on the Organization's standard rates for services provided. Patient balances are typically due within 30 days of billing; however, the Organization does, in certain instances, enter into payment agreements with patients that allow payments in excess of one year. For those cases, the financing component is not deemed to be significant to the contract.

340B Contract Pharmacy Program Revenue

The Organization, as an FQHC, is eligible to participate in the 340B Drug Pricing Program. This program requires drug manufacturers to provide outpatient drugs to FQHCs and other covered entities at a reduced price. The Organization contracts with local pharmacies under this program. The contract pharmacies dispense drugs to eligible patients of the Organization and bill commercial insurances on behalf of the Organization. Reimbursement received by the contract pharmacies is remitted to the Organization, less dispensing and administrative fees. The dispensing and administrative fees are costs of the program and not deemed to be implicit price concessions which would reduce the transaction price. The Organization recognizes revenue in the amounts that reflect the consideration to which it expects to be entitled in exchange for the prescription after the amount has been determined by the pharmacy benefits manager.

Laws and regulations governing the Medicare, Medicaid and 340B programs are complex and subject to interpretation. Management believes that the Organization is in compliance with all laws and regulations. Compliance with such laws and regulations can be subject to future government review and interpretation, as well as significant regulatory action including fines, penalties and exclusion from the Medicare, Medicaid, and 340B programs. Differences between amounts previously estimated and amounts subsequently determined to be recoverable or payable are included in patient service revenue in the year that such amounts become known.

HEALTHFIRST FAMILY CARE CENTER, INC.

Notes to Financial Statements

September 30, 2022 and 2021

Patient Accounts Receivable

Patient accounts receivable are stated at the amount management expects to collect from outstanding balances. U.S. GAAP requires disclosure of opening balances of contracts receivable, which amounted to \$672,618 at October 1, 2020.

Patient accounts receivable consisted of the following as of September 30:

	<u>2022</u>	<u>2021</u>
Medical and dental patient accounts receivable	\$ 527,063	\$ 548,279
Contract 340B pharmacy program receivables	<u>76,823</u>	<u>188,313</u>
Total patient accounts receivable	<u>\$ 603,886</u>	<u>\$ 736,592</u>

The Organization grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payer agreements. The accounts receivable from patients and third-party payers, net of contractual allowances, were as follows:

	<u>2022</u>	<u>2021</u>
Governmental plans		
Medicare	26 %	27 %
Medicaid	47 %	39 %
Commercial payers	26 %	19 %
Patient	<u>1 %</u>	<u>15 %</u>
Total	<u>100 %</u>	<u>100 %</u>

Grants Receivable

Grants receivable are stated at the amount management expects to collect from outstanding balances. All such amounts are considered collectible.

The Organization receives a significant amount of grants from HHS. As with all government funding, these grants are subject to reduction or termination in future years. For the years ended September 30, 2022 and 2021, grants from HHS (including both direct awards and awards passed through other organizations) represented approximately 69% and 90%, respectively, of grants, contracts and contributions revenue.

A portion of the Organization's revenue is derived from cost-reimbursable grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has met the performance requirements or incurred expenditures in compliance with specific contract or grant provisions, as applicable. Amounts received prior to incurring qualifying expenditures are reported as deferred revenue.

HEALTHFIRST FAMILY CARE CENTER, INC.

Notes to Financial Statements

September 30, 2022 and 2021

The Organization has been awarded cost reimbursable grants that have not been recognized at September 30, 2022 because qualifying expenditures have not yet been incurred as follows:

	<u>Amount</u>	<u>Available Through</u>
Health Center Program	\$ 1,300,003	February 28, 2023
American Rescue Plan Act Funding for Health Centers	753,086	March 31, 2023
FY 2022 American Rescue Plan Uniform Data System Patient-Level Submission (ARP-UDS+)	<u>65,500</u>	March 31, 2023
Total grant funds available	<u>\$ 2,118,589</u>	

Assets Limited as to Use

Assets limited as to use include cash and cash equivalents set aside under loan agreements for repairs and maintenance on the real property collateralizing the loan, and assets designated by the Board of Directors for specific projects or purposes as discussed further in Note 3.

Property and Equipment

Property and equipment are carried at cost. Maintenance, repairs and minor renewals are expensed as incurred and renewals and betterments are capitalized. Provision for depreciation is computed using the straight-line method over the useful lives of the related assets. The Organization's capitalization policy is applicable for acquisitions greater than \$5,000.

Contributions

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received, which is then treated as cost. The gifts are reported as net assets with donor restrictions if they are received with donor stipulations that limit use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the statements of operations as net assets released from restriction. Contributions whose restrictions are met in the same period as the support was received are recognized as net assets without donor restrictions.

Donated Pharmaceuticals

The Organization acts as a conduit for pharmaceutical company patient assistance programs. The Organization provides assistance to patients in applying for and distributing prescription drugs under the programs. The value of the prescription drugs distributed by the Organization to patients is not reflected in the accompanying financial statements. The Organization estimates that the value of prescription drugs distributed by the Organization for the years ended September 30, 2022 and 2021 was \$311,204 and \$159,922, respectively.

HEALTHFIRST FAMILY CARE CENTER, INC.

Notes to Financial Statements

September 30, 2022 and 2021

Functional Expenses

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function; therefore, these expenses require allocation on a reasonable basis that is consistently applied. As the Organization is a service organization, such expenses, which include employee benefits, occupancy, depreciation, interest, and other operating expenses, are allocated between healthcare services and administrative support based on the percentage of direct care wages to total wages.

Excess of Revenue Over Expenses

The statements of operations reflect the excess of revenue over expenses. Changes in net assets without donor restrictions which are excluded from this measure include contributions of long-lived assets (including assets acquired using contributions which, by donor restriction, were to be used for the purposes of acquiring such assets).

Subsequent Events

For purposes of the preparation of these financial statements, management has considered transactions or events occurring through January 31, 2023, the date that the financial statements were available to be issued. Management has not evaluated subsequent events after that date for inclusion in the financial statements.

2. Availability and Liquidity of Financial Assets

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments. The Organization has various sources of liquidity at its disposal, including cash and cash equivalents and certificates of deposit. The Organization had average days cash and cash equivalents and certificates of deposit on hand (based on normal expenditures) of 190 and 192 at September 30, 2022 and 2021, respectively.

Financial assets available for general expenditure were as follows at September 30:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 3,241,036	\$ 2,946,398
Short-term certificates of deposit	936,933	935,086
Patient accounts receivable, net	603,886	736,592
Grants receivable	<u>546,838</u>	<u>113,256</u>
Financial assets available	<u>\$ 5,328,693</u>	<u>\$ 4,731,332</u>

The Organization has certain board-designated assets limited to use which are available for general expenditure within one year in the normal course of operations upon obtaining approval from the Board of Directors. The Organization has other assets limited to use under certain loan agreements which are available for general expenditure within one year for maintenance and repairs on the Organization's buildings upon obtaining approval from the lenders. Accordingly, these assets have not been included in the qualitative information above.

HEALTHFIRST FAMILY CARE CENTER, INC.

Notes to Financial Statements

September 30, 2022 and 2021

3. **Assets Limited as to Use**

Assets limited as to use are made up of cash and cash equivalents which are to be used for the following purposes at September 30:

	<u>2022</u>	<u>2021</u>
Repairs and maintenance on the real property collateralizing loans with the United States Department of Agriculture, Rural Development (Rural Development)	\$ <u>107,090</u>	\$ <u>105,429</u>
Board-designated for		
Working capital	40,000	40,000
Capital improvements	<u>57,236</u>	<u>49,761</u>
Total board-designated	<u>97,236</u>	<u>89,761</u>
Total	<u>\$ 204,326</u>	<u>\$ 195,190</u>

4. **Property and Equipment**

Property and equipment consisted of the following at September 30:

	<u>2022</u>	<u>2021</u>
Land	\$ 109,217	\$ 109,217
Building and improvements	2,152,726	2,136,441
Furniture and equipment	<u>179,772</u>	<u>179,772</u>
Total cost	2,441,715	2,425,430
Less accumulated depreciation	<u>949,937</u>	<u>882,729</u>
	1,491,778	1,542,701
Construction in progress	<u>161,781</u>	<u>64,239</u>
Property and equipment, net	<u>\$ 1,653,559</u>	<u>\$ 1,606,940</u>

Construction in progress relates to the renovation of the Organization's facilities. The projects are primarily funded by government grants which have been awarded in the amount of \$2,555,649 and are available for use through September 2024 and June 2025.

Property and equipment acquired with Federal grant funds are subject to specific federal standards for sales and other dispositions. In many cases, the Federal government retains a residual ownership interest in the assets, requiring prior approval and restrictions on disposition.

HEALTHFIRST FAMILY CARE CENTER, INC.

Notes to Financial Statements

September 30, 2022 and 2021

5. Long-Term Debt

Long-term debt consists of the following at September 30:

	<u>2022</u>	<u>2021</u>
4.125% promissory note payable to Rural Development through March 2037, paid in monthly installments of \$8,186, including interest. The note is collateralized by all tangible property owned by the Organization.	\$ 1,068,728	\$ 1,121,668
3.375% promissory note payable to Rural Development, through May 2052, paid in monthly installments of \$1,384, including interest. The note is collateralized by all tangible property owned by the Organization.	<u>310,130</u>	<u>316,161</u>
Total	1,378,858	1,437,829
Less current portion	<u>62,594</u>	<u>60,162</u>
Long-term debt, less current portion	<u>\$ 1,316,264</u>	<u>\$ 1,377,667</u>

Maturities of long-term debt are as follows at September 30:

2023	\$ 62,594
2024	64,146
2025	66,788
2026	69,540
2027	72,405
Thereafter	<u>1,043,385</u>
Total	<u>\$ 1,378,858</u>

6. Net Assets

Net assets without donor restrictions are designated for the following purposes at September 30:

	<u>2022</u>	<u>2021</u>
Undesignated	\$ 4,345,264	\$ 3,997,434
Board-designated (see Note 3)	<u>97,236</u>	<u>89,761</u>
Total	<u>\$ 4,442,500</u>	<u>\$ 4,087,195</u>

HEALTHFIRST FAMILY CARE CENTER, INC.

Notes to Financial Statements

September 30, 2022 and 2021

7. Net Patient Service Revenue

Net patient service revenue was as follows for the years ended September 30:

	<u>2022</u>	<u>2021</u>
Gross charges	\$ 7,478,288	\$ 5,786,824
Less: Contractual adjustments and implicit price concessions	(2,884,264)	(1,872,977)
Charity care discounts	<u>(122,705)</u>	<u>(42,446)</u>
Net medical and behavioral health patient service revenue	4,471,319	3,871,401
340B contract pharmacy revenue	<u>1,514,262</u>	<u>1,437,554</u>
Total net patient service revenue	<u>\$ 5,985,581</u>	<u>\$ 5,308,955</u>

Revenue from patients and third-party payers, net of allowances and adjustments, was as follows for the years ended September 30:

	<u>2022</u>	<u>2021</u>
Governmental plans		
Medicare	14 %	18 %
Medicaid	64 %	62 %
Commercial payers	20 %	16 %
Patient	<u>2 %</u>	<u>4 %</u>
Total	<u>100 %</u>	<u>100 %</u>

8. Retirement Plan

The Organization has a defined contribution plan covering eligible employees. The Organization contributed \$160,379 and \$101,154 for the years ended September 30, 2022 and 2021, respectively.

9. Malpractice

The Organization is protected from medical malpractice risk as an FQHC under the Federal Tort Claims Act (FTCA). The Organization has additional medical malpractice insurance, on a claims-made basis, for coverage outside the scope of the protection of the FTCA. As of September 30, 2022, there were no known malpractice claims outstanding which, in the opinion of management, will be settled for amounts in excess of either FTCA or medical malpractice insurance coverage, nor are there any unasserted claims or incidents which require loss accrual. The Organization intends to renew medical malpractice insurance coverage on a claims-made basis and anticipates that such coverage will be available.

HEALTHFIRST FAMILY CARE CENTER, INC.

Notes to Financial Statements

September 30, 2022 and 2021

10. Litigation

From time-to-time certain complaints are filed against the Organization in the ordinary course of business. Management vigorously defends the Organization's actions in those cases and utilizes insurance to cover material losses. In the opinion of management, there are no matters that will materially affect the Organization's financial statements.

SUPPLEMENTARY INFORMATION

HEALTHFIRST FAMILY CARE CENTER, INC.

Schedule of Expenditures of Federal Awards

Year Ended September 30, 2022

Federal Grantor/Pass-Through Grantor Program Title	Assistance Listing Number	Pass-Through Contract Number	Total Federal Expenditures
<u>U.S. Department of Health and Human Services</u>			
<u>Direct</u>			
Health Center Program Cluster			
Consolidated Health Centers (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care)	93.224		\$ 214,900
COVID-19 Consolidated Health Centers (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care)	93.224		<u>553,539</u>
Total AL 93.224			768,439
Affordable Care Act (ACA) Grants for New and Expanded Services Under the Health Center Program	93.527		<u>995,959</u>
Total Health Center Program Cluster			1,764,398
<u>Pass-Through</u>			
State of New Hampshire Department of Health and Human Services			
Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations	93.898	102-500731/90080081	6,146
Maternal and Child Health Services Block Grant to the States	93.994	102-500731/90080000	56,760
Bi-State Primary Care Association, Inc.			
COVID-19 Activities to Support State, Tribal, Local and Territorial (STLT) Health Department Response to Public Health or Healthcare Crises	93.391	n/a	<u>119,672</u>
Total U.S. Department of Health and Human Services			<u>1,946,976</u>
<u>U.S. Department of Treasury</u>			
<u>Pass-Through</u>			
Bi-State Primary Care Association, Inc.			
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	n/a	161,133
<u>U.S. Department of Agriculture</u>			
<u>Direct</u>			
Community Facilities Loans and Grants	10.766		<u>1,437,829</u>
Total Expenditures of Federal Awards			<u>\$ 3,545,938</u>

The accompanying notes are an integral part of this schedule.

HEALTHFIRST FAMILY CARE CENTER, INC.

Notes to Schedule of Expenditures of Federal Awards

Year Ended September 30, 2022

1. **Summary of Significant Accounting Policies**

Expenditures reported on the schedule of expenditures of federal awards (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* (Uniform Guidance), wherein certain types of expenditures are not allowable or are limited as to reimbursement.

2. **De Minimis Indirect Cost Rate**

HealthFirst Family Care Center, Inc. (the Organization) has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

3. **Basis of Presentation**

The Schedule includes the federal grant activity of the Organization. The information in this Schedule is presented in accordance with the requirements of the Uniform Guidance. Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

4. **Loan Programs**

The Organization has a promissory note outstanding through the U.S. Department of Agriculture (USDA). As required, the Schedule reflects the outstanding balance as of October 1, 2021 of \$1,437,829. The balance outstanding at September 30, 2022 was \$1,378,858.



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

Board of Directors
HealthFirst Family Care Center, Inc.

We have audited, in accordance with U.S. generally accepted auditing standards 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 HealthFirst Family Care Center, Inc. (the Organization), which comprise the balance sheet as of September 30, 2022, and the related statements of operations and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 31, 2023.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 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.

Berry Dunn McNeil & Parker, LLC

Portland, Maine
January 31, 2023



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

Board of Directors
HealthFirst Family Care Center, Inc.

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited HealthFirst Family Care Center, Inc.'s (the Organization) compliance with the types of compliance requirements identified as subject to audit in the Office of Management and Budget *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2022. The Organization'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, the Organization complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; 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 the Organization and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of the Organization's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

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 the Organization's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with U.S. generally accepted auditing standards, *Government Auditing Standards* and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with U.S. 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 the Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control over Compliance

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

Board of Directors
HealthFirst Family Care Center, Inc.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

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

Berry Dunn McNeil & Parker, LLC

Portland, Maine
January 31, 2023

HEALTHFIRST FAMILY CARE CENTER, INC.

Schedule of Findings and Questioned Costs

Year Ended September 30, 2022

Section 1. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? [] Yes [x] No

Significant deficiency(ies) identified that are not considered to be material weakness(es)? [] Yes [x] None reported

Noncompliance material to financial statements noted? [] Yes [x] No

Federal Awards

Internal control over major programs:

Material weakness(es) identified: [] Yes [x] No

Significant deficiency(ies) identified that are not considered to be material weakness(es)? [] Yes [x] None reported

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

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

Identification of major programs:

Table with 2 columns: Assistance Listing Number, Name of Federal Program or Cluster. Row 1: 10.766, Health Center Program Cluster Community Facilities Loans and Grants

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

Auditee qualified as low-risk auditee? [x] Yes [] No

Section 2. Financial Statement Findings

None

Section 3. Federal Award Findings and Questioned Costs

None