

AUDUBON AREA COMMUNITY CARE CLINIC, INC.

**FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION**

MARCH 31, 2023 AND 2022

AUDUBON AREA COMMUNITY CARE CLINIC, INC.
Contents
March 31, 2023 and 2022

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Audubon Area Community Care Clinic, Inc.

Opinion

We have audited the accompanying financial statements of Audubon Area Community Care Clinic, Inc. (a nonprofit organization), which comprise the statements of financial position as of March 31, 2023 and 2022, 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 Audubon Area Community Care Clinic, Inc. as of March 31, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Audubon Area Community Care Clinic, Inc. 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 opinions.

Responsibilities of Management for the Financial Statements

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

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 Audubon Area Community Care Clinic, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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 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 Audubon Area Community Care Clinic, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Audubon Area Community Care Clinic, Inc.'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 schedules of grant activity are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards and related notes, 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 auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2023, on our consideration of Audubon Area Community Care Clinic, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Audubon Area Community Care Clinic, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Audubon Area Community Care Clinic, Inc.'s internal control over financial reporting and compliance.



Owensboro, Kentucky
December 27, 2023

AUDUBON AREA COMMUNITY CARE CLINIC, INC.
Balance Sheets
March 31, 2023 and 2022

	2023	2022
ASSETS		
CURRENT ASSETS		
Cash	\$ 1,552,711	\$ 1,199,346
Patient accounts receivable (net of allowances of \$49,389 and \$12,215, respectively)	265,874	149,925
Grants receivable	43,739	62,489
Other receivable	56,227	-
Prepaid expenses	67,660	28,938
TOTAL CURRENT ASSETS	1,986,211	1,440,698
PROPERTY AND EQUIPMENT		
Buildings	512,229	506,208
Vehicles	286,452	213,847
Land	207,263	207,263
Leasehold improvements	102,483	102,483
Equipment	76,667	76,667
Accumulated depreciation	(131,386)	(65,638)
NET PROPERTY AND EQUIPMENT	1,053,708	1,040,830
OTHER ASSETS		
Security deposit	9,628	9,628
Right-of-use lease asset	74,234	-
OTHER ASSETS	83,862	9,628
TOTAL ASSETS	\$ 3,123,781	\$ 2,491,156
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 88,468	\$ 74,228
Accrued expenses	85,082	44,451
Deferred revenue	7,683	-
Current portion of lease liability	55,186	-
Current portion of long-term debt	49,077	47,521
TOTAL CURRENT LIABILITIES	285,496	166,200
LONG-TERM LIABILITIES		
Lease liability, net of current portion	19,048	-
Long-term debt, net of current portion	419,674	468,630
TOTAL LONG-TERM LIABILITIES	438,722	468,630
TOTAL LIABILITIES	724,218	634,830
NET ASSETS		
Without donor restrictions	2,399,563	1,856,326
TOTAL LIABILITIES AND NET ASSETS	\$ 3,123,781	\$ 2,491,156

See accompanying notes.

AUDUBON AREA COMMUNITY CARE CLINIC, INC.
Statements of Operations and Changes in Net Assets
For the Years Ended March 31, 2023 and 2022

	2023	2022
NET ASSETS WITHOUT DONOR RESTRICTIONS		
REVENUES		
Patient revenue	\$ 1,528,840	\$ 709,679
Grant revenue	1,400,844	1,411,618
Other revenue	66,223	21,625
TOTAL REVENUES	2,995,907	2,142,922
EXPENSES		
Program services	2,105,253	1,471,531
General and administrative	347,417	263,879
TOTAL EXPENSES	2,452,670	1,735,410
INCREASE IN NET ASSETS	543,237	407,512
NET ASSETS AT BEGINNING OF YEAR	1,856,326	1,448,814
NET ASSETS AT END OF YEAR	\$ 2,399,563	\$ 1,856,326

See accompanying notes.

AUDUBON AREA COMMUNITY CARE CLINIC, INC.
Statement of Functional Expenses
For the Year Ended March 31, 2023

	<u>Health Care Services</u>	<u>General and Administrative</u>	<u>Total Expenses</u>
Advertising	\$ 7,221	\$ 4,826	\$ 12,047
Contract pharmacy services	239,596	-	239,596
Contract services	503,522	28,886	532,408
Depreciation	65,747	-	65,747
Dues and subscriptions	5,842	1,651	7,493
Education and training	2,300	710	3,010
Insurance	21,151	3,480	24,631
Interest	16,471	-	16,471
Medical office lease	51,991	5,777	57,768
Miscellaneous	1,672	846	2,518
Patient assistance	63,381	-	63,381
Printing and copying costs	5,988	638	6,626
Professional fees	-	22,175	22,175
Repairs and maintenance	10,830	990	11,820
Salaries and fringes	918,083	234,647	1,152,730
Supplies	144,633	12,561	157,194
Travel	1,962	935	2,897
Utilities	44,863	29,295	74,158
	<u>\$ 2,105,253</u>	<u>\$ 347,417</u>	<u>\$ 2,452,670</u>

See accompanying notes.

AUDUBON AREA COMMUNITY CARE CLINIC, INC.
Statement of Functional Expenses
For the Year Ended March 31, 2022

	<u>Health Care Services</u>	<u>General and Administrative</u>	<u>Total Expenses</u>
Advertising	\$ 225	\$ 25	\$ 250
Bank fees	-	1,020	1,020
Contract services	379,714	34,313	414,027
Depreciation	47,181	-	47,181
Dues and subscriptions	3,565	483	4,048
Education and training	1,243	114	1,357
Insurance	17,341	2,198	19,539
Interest	9,713	497	10,210
Medical office lease	51,995	5,777	57,772
Miscellaneous	1,492	536	2,028
Patient assistance	17,307	-	17,307
Printing and copying costs	3,296	366	3,662
Professional fees	16,644	13,851	30,495
Repairs and maintenance	45,575	2,220	47,795
Salaries and fringes	714,878	178,220	893,098
Supplies	123,766	3,027	126,793
Taxes	6,721	344	7,065
Travel	1,793	406	2,199
Utilities	29,082	20,482	49,564
	<u>\$ 1,471,531</u>	<u>\$ 263,879</u>	<u>\$ 1,735,410</u>

See accompanying notes.

AUDUBON AREA COMMUNITY CARE CLINIC, INC.
Statements of Cash Flows
For the Years Ended March 31, 2023 and 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 543,237	\$ 407,512
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Amortization	57,768	-
Depreciation	65,748	47,181
(Increase) decrease in:		
Patient accounts receivable	(115,949)	(30,184)
Grants receivable	18,750	(44,417)
Other receivable	(56,227)	-
Prepaid expenses	(38,722)	(22,395)
Increase (decrease) in:		
Accounts payable	14,240	45,579
Accrued expenses	40,631	4,680
Deferred revenue	7,683	-
Operating lease payments	(57,768)	-
	479,391	407,956
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(78,626)	(872,456)
	(78,626)	(872,456)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments of debt	(47,400)	(27,049)
Proceeds of debt issuance	-	543,200
	(47,400)	516,151
NET INCREASE IN CASH	353,365	51,651
CASH AT BEGINNING OF YEAR	1,199,346	1,147,695
CASH AT END OF YEAR	\$ 1,552,711	\$ 1,199,346
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Interest expense	\$ 16,471	\$ 10,210

See accompanying notes.

AUDUBON AREA COMMUNITY CARE CLINIC, INC.
Notes to the Financial Statements
March 31, 2023 and 2022

NOTE A – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Audubon Area Community Care Clinic, Inc. (Clinic) was founded to serve as a Health Care for the Homeless (HCH) clinic providing comprehensive primary and preventative medical services to the region's under and uninsured homeless individuals and families, as well as individuals and families at risk of becoming homeless. The Clinic provides its services to individuals and families in the counties located in the northwestern region of the Commonwealth of Kentucky including: Daviess, Hancock, Henderson, McLean, Ohio, and Union Counties. The Clinic is an affiliate of Audubon Area Community Services (AACS), a community action agency. Significantly all revenue is derived from patient care services and federal funding from the U.S. Department of Health and Human Services (HHS).

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Clinic and changes therein are classified and reported as follows:

Net assets without donor restrictions - Net assets that are not subject to donor-imposed stipulations.

Net assets with donor restrictions - Net assets subject to donor-imposed stipulations that may or will be met.

Management Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

Cash and Cash Flows Information

The Clinic considers all liquid investments with original maturities of three months or less to be cash equivalents.

At March 31, 2023, the bank balance of the Clinic's cash was \$1,552,441. Of the total cash balance, \$250,000 was covered by Federal depositary insurance and \$1,302,441 was uninsured.

At March 31, 2022, the bank balance of the Clinic's cash was \$1,198,995. Of the total cash balance, \$250,000 was covered by Federal depositary insurance and \$948,995 was uninsured.

Patient Accounts Receivable

The Clinic reports accounts receivable for services rendered at net realizable amounts due from third-party payers and patients. The Clinic provides an allowance for doubtful accounts based upon a review of outstanding receivables, historical collection information and existing economic conditions. Client accounts receivable are due in full when billed. Accounts are considered delinquent and subsequently written off as bad debts based on individual credit evaluation and specific circumstances of the account. As of March 31, 2023 and 2022, there was \$49,389 and \$12,215 in allowance for doubtful accounts, respectively. Management expects to collect essentially all of patient accounts receivable presented.

AUDUBON AREA COMMUNITY CARE CLINIC, INC.
Notes to the Financial Statements
March 31, 2023 and 2022

NOTE A – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and Equipment

Depreciable assets are recorded at cost if purchased or fair value if donated. Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as net assets without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as net assets with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, the Clinic reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Clinic reclassifies net assets with donor restrictions to net assets without donor restrictions at that time. Property and equipment is stated at cost when purchased. The Clinic capitalizes fixed assets with a value greater than \$5,000 and a life greater than a year. Property and equipment are depreciated using the straight-line method as follows:

Buildings	40 years
Vehicles	5 - 10 years
Leasehold improvements	10 - 15 years
Equipment	5 years

Depreciation expense for the years ended March 31, 2023 and 2022 was \$65,747 and \$47,181, respectively.

Revenue from Customer Contracts

Patient service revenue is reported at the amount that reflects the consideration to which the Clinic expects to be entitled to in exchange for providing patient care. These amounts are due from patients, third-party payers (including health insurers and government programs) and others and includes variable consideration for retroactive adjustments due to settlement of audits, reviews and investigations. Generally, the Clinic bills patients and third-party payers several days after the services are performed. Revenue is recognized as performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided by the Clinic. Revenue for performance obligations satisfied at a point in time is recognized when goods or services are provided and the Organization does not believe it is required to provide additional goods or services to the patient.

The Clinic determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payers, discounts provided to underinsured or uninsured patients in accordance with the Clinic's sliding fee policy. The Clinic determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policies, and historical experience.

Agreements with third-party payers provide for payments at amounts less than established charges. A summary of the payment arrangements with major third-party payers follows:

Medicare: Certain medical care services are paid at prospectively determined rates per discharge based on multiple factors. Certain services are paid based on a cost reimbursement methodologies subject to certain limits. Physical services are paid based upon established fee schedules. Outpatient services are paid using prospectively determined rates.

AUDUBON AREA COMMUNITY CARE CLINIC, INC.
Notes to the Financial Statements
March 31, 2023 and 2022

NOTE A – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue from Customer Contracts (continued)

Medicaid: Reimbursements for Medicaid services are generally paid at prospectively determined rates per discharge, per occasion of services, or per covered member.

Other: Payment agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations provide for payment using prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

Laws and regulations concerning government programs, including Medicare and Medicaid, are complex and subject to varying interpretation. As a result of investigations by governmental agencies, various health care organizations have received requests for information and notices regarding alleged noncompliance with those laws and regulations, which, in some instances, have resulted in organizations entering into significant settlement agreements. Compliance with such laws and regulations may also be subject to future government review and interpretation as well as significant regulatory action, including fines, penalties, and potential exclusion from the related programs. There can be no assurance that regulatory authorities will not challenge the Clinic's compliance with these laws and regulations, and it is not possible to determine the impact (if any) such claims or penalties would have upon the Clinic. In addition, the contracts the Clinic has with commercial payers also provide for retroactive audit and review of claims.

Settlements with third-party payers for retroactive adjustments due to audits, review or investigations are considered variable consideration and are included in the determination of estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payer, correspondence from the payer and the Clinic's historic settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known (that is, new information becomes available), or as years are settled or are no longer subject to such audits, reviews and investigations. Adjustments arising from a change in the transaction price, were insignificant in 2023 and 2022.

Generally, patients who are covered by third-party payers are responsible for related deductibles and coinsurance, which vary in amount. The Clinic also provides services to uninsured patients, and offers those uninsured patients a discount, either by policy or law, from standard charges. The Clinic estimates the transaction price for patients with deductibles and coinsurance and from those who are uninsured based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts, and implicit price concessions. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient service revenue in the period of the change. Subsequent changes that are determined to be the result of an adverse change in the patient's ability to pay are recorded as bad debt expense. Bad debt expense for the years ended March 31, 2023 and 2022 was \$86,204 and \$18,969 respectively.

Consistent with the Clinic's mission, care is provided to patients regardless of their ability to pay. Therefore, the Clinic has determined it has provided implicit price concessions to uninsured patients and patients with other uninsured balances. The implicit price concessions included in estimating the transaction price represent the difference between amounts billed to patients and the amounts the Clinic expects to collect based on its collection history with those patients.

Patients who meet the Organization's criteria for charity care are provided care at amounts less than established rates. Such amounts determined to qualify as charity care are not reported as revenue.

AUDUBON AREA COMMUNITY CARE CLINIC, INC.
Notes to the Financial Statements
March 31, 2023 and 2022

NOTE A – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Grant Revenue

The Clinic's grant revenue is primarily from the U.S. Department of Health and Human Services. Grant revenues are recognized in accordance with the terms grant agreements.

Contributed Services

Contributed services are reported as contributions at their fair value if such services create or enhance non-financial assets, or require specialized skills, and are provided by individuals possessing such specialized skills and the services would have been purchased if not donated. For the year March 31, 2023 and 2022, there were no contributed services meeting the requirements for recognition in the financial statements.

Functional Allocation of Expenses

The costs of providing program services and general and administrative expenses have been summarized on a functional basis in the notes to the financial statements. Accordingly, certain costs have been allocated between program services and general administrative.

Advertising

Advertising costs are charged to expense in the period incurred and totaled \$12,047 and \$250 for the years ended March 31, 2023 and 2022.

Tax Position

The Clinic maintains the tax position that it is a nonprofit voluntary welfare agency, exempt from income tax under Section 501(c)(3) of the U.S. Internal Revenue Code, qualified for the 50% charitable contribution deduction, and classified as an organization that is not a private foundation under Section 509(a) of the Internal Revenue Code. The Clinic did not pay any interest or penalties as a result of its tax position. The tax years 2020 through 2022 remain subject to examination by the Internal Revenue Service.

Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

Adoption of FASB ASC 842, Leases

Effective April 1, 2022, the Clinic adopted FASB ASC 842, Leases. The Clinic determines if an arrangement contains a lease at inception based on whether the Clinic has the right to control the asset during the contract period and other facts and circumstances. The Clinic elected the package of practical expedients permitted under the transition guidance within the new standard, which among other things, allowed it to carry forward the historical lease classification. The adoption of FASB ASC 842 resulted in the recognition of a right-of-use-asset and an operating lease liability of \$126,603 as of April 1, 2022. Results for periods beginning prior to April 1, 2022 continue to be reported in accordance with our historical accounting treatment. The adoption of FASB ASC 842 did not have a material impact on the Clinic's results of operations and cash flows.

AUDUBON AREA COMMUNITY CARE CLINIC, INC.
Notes to the Financial Statements
March 31, 2023 and 2022

NOTE B – REVENUE RECOGNITION

Contract Balances

As of March 31, 2023 and 2022, contract balances from contracts with customers was as follows:

	<u>2023</u>	<u>2022</u>
Beginning of year	\$ 149,925	\$ 119,741
End of year	\$ 265,874	\$ 149,925

Disaggregation of Revenue

For the years ended March 31, 2023 and 2022, disaggregated patient revenue was as follows:

	<u>2023</u>	<u>2022</u>
Patient responsibility	\$ 57,775	\$ 39,154
Medicare	133,261	112,856
Medicaid	1,132,956	396,797
Commercial health insurance	116,926	78,713
	<u>1,440,918</u>	<u>627,520</u>
Add adjustments	87,922	82,159
	<u>\$ 1,528,840</u>	<u>\$ 709,679</u>

NOTE C – GRANTS RECEIVABLE

As of March 31, 2023 and 2022, grants receivable consisted of the following:

	<u>2023</u>	<u>2022</u>
American Rescue Plan Act Funding for Health Centers	\$ 33,310	\$ 62,489
Ending the HIV Epidemic - Primary Care HIV Prevention	7,393	-
Expanding Covid-19 Vaccination	3,036	-
	<u>\$ 43,739</u>	<u>\$ 62,489</u>

NOTE D – LONG-TERM DEBT

Debt consisted of the following as of March 31:

	<u>2023</u>	<u>2022</u>
Note payable Truist Bank, payable in 120 monthly installment payments, including principal and interest, of \$5,322. The loan matures August 10, 2031 and bears an interest rate of 3.26%. The note is secured by the building.	\$ 468,751	\$ 516,151
Less current portion	<u>(49,077)</u>	<u>(47,521)</u>
Long-term portion	<u>\$ 419,674</u>	<u>\$ 468,630</u>

AUDUBON AREA COMMUNITY CARE CLINIC, INC.
Notes to the Financial Statements
March 31, 2023 and 2022

NOTE D – LONG-TERM DEBT (continued)

Minimum future principal payments are as follows as of March 31:

2024	\$	49,077
2025		50,763
2026		52,466
2027		54,227
2028		56,027
Thereafter		206,191
	\$	468,751

NOTE E – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Clinic’s financial assets as of the balance sheet date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date.

	2023	2022
Financial assets, at year end:		
Cash	\$ 1,552,711	\$ 1,199,346
Patient accounts receivable	265,874	149,925
Grants receivable	43,739	62,489
Other receivable	56,227	-
Total financial assets, at year end	\$ 1,918,551	\$ 1,411,760
Financial assets available to meet cash needs for general expenditures within one year	\$ 1,918,551	\$ 1,411,760

The Clinic is substantially supported by its grants and contracts with the U.S. Department of Health and Human Services. Financial assets are generally readily available for general expenditures within one year. In the event of unanticipated liquidity needs, the Clinic could use it substantial amount of cash reserves or obtain a line of credit.

NOTE F – EXPENSES BY NATURE AND FUNCTION

The financial statements report certain categories of expenses that are attributable to program services and support services. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses are allocated on the basis of estimates of time and effort.

NOTE G – MEDICAL OFFICE LEASE

The Clinic has a lease agreement with On Site, LLC/Michael Jones for space to provide clinical services. The term of the lease commenced August 1, 2019 and ends July 31, 2024. The terms of the lease allows for a renewal or extension of term, however, the Clinic does not intend to renew or extend the term. Rent payments are \$4,814 per month, which are due monthly.

AUDUBON AREA COMMUNITY CARE CLINIC, INC.
Notes to the Financial Statements
March 31, 2023 and 2022

NOTE G – MEDICAL OFFICE LEASE (continued)

The following summarizes the line items in the balance sheet, which includes amounts for operating leases as of March 31, 2023:

	2023
Operating lease right-of-use assets	\$ 74,234
Current portion of lease liability	\$ 55,186
Operating lease liability	19,048
Total lease liability	\$ 74,234

The medical office lease is included in the Statement of Functional Expenses under the line item “medical office lease.” For the years ended March 31, 2023 and 2022, total rent expense under the lease agreement was \$57,768 and \$57,772, respectively.

For the year ended March 31, 2023, cash paid for amounts included in the measurement of the lease liability was \$52,370.

As of March 31, 2023, the medical office lease had a remaining term of 16 months remaining. As of March 31, 2023, the discount rate used to calculate the lease liability was 5.25%.

The maturities of the lease liability as of March 31, 2023, were as follows:

2024	\$ 57,768
2025	19,256
Total lease payments	77,024
Less: interest	(2,790)
Present value of lease liability	\$ 74,234

NOTE H – PENSION EXPENSE

Through Audubon Area Community Services, Inc., the Clinic participates in a multi-employer pension plan.

Multi-Employer Pension Plan

The Clinic participates in the County Employee Retirement System (CERS), which is a cost-sharing multi-employer defined benefit pension plan and is administered by the Board of Trustees of the Kentucky Retirement Systems (KRS). The following presents certain information regarding the plan.

The risks of participating in multiemployer defined benefit pension plans differ from single-employer plans because: (a) assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers, (b) if a participating employer stops contributing to the plan, the unfunded obligations of the plan may be required to be borne by the remaining participating employers, and (c) if the Clinic chooses to stop participating in the plan, it may be required to pay a withdrawal liability to the plan. At this time, the Clinic has no plans to withdraw from the plan.

AUDUBON AREA COMMUNITY CARE CLINIC, INC.
Notes to the Financial Statements
March 31, 2023 and 2022

NOTE H – PENSION EXPENSE (continued)

Multi-Employer Pension Plan (continued)

All full-time employees of the Audubon Area Community Care Clinic, Inc. are covered by the CERS (Non-Hazardous) plan. KRS 78.510 through 78.852 of the Commonwealth of Kentucky assigns the authority to establish and amend the benefit provision of the plan. The CERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, KY 40601-6124.

Participants have a vested right to retirement benefits at age 65 with at least 4 years of service or at any age with at least 27 years of service, if they do not withdraw deposits. A member may receive a reduced standard annuity at age 55 with 5 or more years of service or any age below 55 with 25 or more years of service. Benefits under CERS will vary based on final compensation, years of service and other factors as fully described in the plan documents.

Non-hazardous duty employees were required to contribute 5.0% (6.0% for new hires effective July 1, 2008) of their annual creditable compensation, which is withheld by the Clinic. The Clinic is required to contribute at actuarially determined rates of participating non-hazardous duty employees' annual creditable compensation. Normal compensation and past service contribution rates are determined in accordance with KRS 61.565 (3) on the basis of an annual valuation.

Actuarially determined rates are updated annually and were as follows for the years ended June 30:

	Total	Pension	OPEB
June 30, 2022	26.95%	21.17%	5.78%
June 30, 2023	26.79%	23.40%	3.39%

The Clinic contributed \$138,769 and \$116,052 for the years ending March 31, 2023 and 2022. There are no funding improvement, or rehabilitation plans, surcharges or collective bargaining agreements.

All required contributions were paid at year-end or within thirty (30) days thereafter.

Based on latest annual actuarial valuation from KRS for fiscal years ended June 30, 2022 and 2021 for CERS Non-Hazardous employee group are as follows (\$ in Thousands):

	2022	2021
Plan fiduciary net position	\$ 7,963,586	\$ 8,565,652
Total pension liability	15,192,599	14,941,437
Net pension liability	\$ 7,229,013	\$ 6,375,785
Level of funding	52.42%	57.33%

The Clinic is not required to accrue its proportionate share of the unfunded liability shown above.

The Plan's Employer Identification Number is 61-1431278.

The Clinic is providing less than 5% of the total contributions to the plan.

Form 5500 is not required for this plan.

AUDUBON AREA COMMUNITY CARE CLINIC, INC.
Notes to the Financial Statements
March 31, 2023 and 2022

NOTE H – PENSION EXPENSE (continued)

Multi-Employer Postretirement Benefits Other than Pension Plans

The Clinic has elected to participate in the Kentucky Retirement Systems Insurance Fund (KRS Insurance Fund), which is administered by the Board of Trustees of the Kentucky Retirement System. This is a multi-employer public post-retirement system established to provide hospital and medical insurance for members receiving benefits from CERS and other state-backed retirement systems. The KRS Insurance Fund pays a prescribed contribution for whole or partial payment of required premiums to purchase hospital and medical insurance. The dollar amount is subject to adjustment annually based on the retiree COLA and the Kentucky General Assembly reserves the right to suspend or reduce this benefit if, in its judgement, the welfare of the Commonwealth of Kentucky so demands.

Some spouse and dependents also qualify for the same proportion of coverage. The amount of contributions paid by the KRS Insurance Fund is based on a member's years of service. Effective January 1, 2013, the self-funding of healthcare benefits for most KRS Medicare eligible retirees ceased and these services were contracted through a fully-insured Medicare Advantage Plan with Humana Insurance Company.

Plan sponsors are required to contribute annually at an actuarially determined rate. Actuarially determined rates are updated annually and were as follows for the years ended June 30:

	Total	Pension	OPEB
June 30, 2022	26.95%	21.17%	5.78%
June 30, 2023	26.79%	23.40%	3.39%

The contribution requirement of the Clinic to the KRS Insurance Fund for the year ended March 31, 2023 and 2022 was \$23,215 and \$31,685, respectively.

NOTE I – AFFILIATION AGREEMENT

The Clinic has an affiliation agreement with Audubon Area Community Services, Inc. (AACS) to provide administrative support for the Clinic. Administrative support includes property acquisition and management, administrative, accounting, human resources, and information technological oversight for and in regard to the Clinic, which includes services as the recipient of and fiscal agent for the 330(h) grant and disbursement of funds. Under the affiliation agreement the Clinic's employees are paid through the payroll process of AACS. Total salaries and wages, health, dental and vision insurance, retirement, workers compensation, unemployment, EAP, FICA, vacation and sick leave compensation paid through AACS payroll process during March 31, 2023 and 2022 was \$1,152,730 and \$893,098. As of March 31, 2023 and 2022 the total amounts due to AACS for payroll reimbursement and miscellaneous accounts payable was \$8,254 and \$4,259, which is included in accounts payable.

Under the affiliation agreement the Clinic agrees to reimburse indirect costs to AACS at an indirect cost rate of 15% of the Clinic's gross payroll. The terms of the agreement allow for an annual negotiation of the indirect cost rate beginning July 1 of each year. Total indirect costs paid to AACS and included in contract services for the years ended March 31, 2023 and 2022 was \$112,091 and \$88,542.

NOTE J – SLIDING FEE DISCOUNT

The amount of charges forgone for services furnished under the Clinic's sliding fee discount policy totaled approximately \$42,473 and \$26,193 for the years ended March 31, 2023 and 2022, when measured at its established rates.

AUDUBON AREA COMMUNITY CARE CLINIC, INC.
Notes to the Financial Statements
March 31, 2023 and 2022

NOTE K - CONCENTRATIONS

Grant Revenue

The Clinic receives significant funding from the U.S. Department of Health and Human Services (HHS). For the years ended March 31, 2023 and 2022 grant revenue from HHS was \$1,400,844 or 47% of total revenue and \$1,411,618 or 66% of total revenue, respectively.

Patient Revenue

For the years ended March 31, 2023 and 2022 patient revenues from third party payer Medicaid net of contractual adjustments totaled \$1,512,684 or 50% of total revenues and \$629,631 or 29% of total revenues, respectively.

NOTE L – CONCENTRATIONS OF CREDIT RISK

The Clinic grants credit without collateral to its patients, most of who are area residents. The concentration of receivables from patients and third party payers at March 31, 2023 and 2022 was as follows:

Medicaid	68%	42%
Medicare	13%	29%
Patient	5%	3%
Commercial	12%	26%
Other	2%	0%
	100%	100%
	100%	100%

NOTE M – COMMITMENTS AND CONTINGENCIES

Medical Malpractice Claims

The Clinic's officers, governing board members, employees, and contractors who are physicians or other licensed or certified healthcare practitioners, are covered under the Federal Tort Claims Act (FTCA) which is available to clinics funded under section 330 of the Public Health Service Act. The Clinic also maintains additional malpractice and general liability coverage. There are no known claims or incidents that may result in the assertion of additional claims as of the date of this report.

Grant Expenses

Expenses reimbursed under grants and contracts are subject to audit by governmental agencies or their representatives. Adjustments of amounts received under grants could result if the grants are audited by such agencies. Management believes all expenses are properly charged to grants.

Medicare and Medicaid Programs

Laws and regulations governing Medicare and Medicaid programs are complex and subject to interpretation. The Clinic believes that it has complied with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoings. While no such regulatory inquiries have been made, 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 and Medicaid programs.

AUDUBON AREA COMMUNITY CARE CLINIC, INC.
Notes to the Financial Statements
March 31, 2023 and 2022

NOTE M – COMMITMENTS AND CONTINGENCIES (continued)

Purchase of Benttree Drive

On March 23, 2023, the Clinic entered into a real estate purchase agreement to purchase a new location for clinic operations for a total purchase price of \$500,000.

NOTE N – SUBSEQUENT EVENTS

Renovation of Benttree Drive

In November 2023, the Clinic's board of directors approved a contractor's bid to renovate the Benttree Drive property in the amount of \$560,858. Management was in the process of signing the construction agreement as of the date of this report.

The Clinic did not have any other subsequent events through December 27, 2023, which is the date the financial statements were available to be issued, for events requiring recording or disclosure in the financial statements as of March 31, 2023.

SUPPLEMENTARY INFORMATION

AUDUBON AREA COMMUNITY CARE CLINIC, INC.
Health Center Program
American Rescue Plan Act Funding for Health Centers
Contract Number H8FCS40749
Schedule of Grant Activity
For the Period April 1, 2022 through March 31, 2023

REVENUES	
Grant revenue	\$ 343,290
TOTAL REVENUES	343,290
EXPENSES	
Contract services	22,405
Equipment	72,605
Insurance	576
Miscellaneous	8,448
Repairs and maintenance	2,892
Salaries and fringes	188,633
Supplies	47,578
Travel	153
TOTAL EXPENSES	343,290
REVENUE OVER (UNDER) EXPENSES	\$ -

AUDUBON AREA COMMUNITY CARE CLINIC, INC.
Health Center Program
Contract Number H80CS30714
Schedule of Grant Activity
For the Period April 1, 2022 through March 31, 2023

REVENUES	
Grant revenue	<u>\$ 914,000</u>
TOTAL REVENUES	<u>914,000</u>
EXPENSES	
Advertising	215
Contract services	296,933
Dues and subscriptions	3,964
Education and training	1,525
Equipment	6,706
Insurance	19,336
Medical office lease	33,698
Miscellaneous	876
Patient assistance	5,124
Printing and copying costs	1,143
Professional fees	1,275
Repairs and maintenance	6,201
Salaries and fringes	452,956
Supplies	47,705
Travel	969
Utilities	<u>35,374</u>
TOTAL EXPENSES	<u>914,000</u>
REVENUE OVER (UNDER) EXPENSES	<u><u>\$ -</u></u>

AUDUBON AREA COMMUNITY CARE CLINIC, INC.
Grants for New and Expanded Services under the Health Center Program
FY 2020 Expanding Capacity for Coronavirus Testing (ECT)
Contract Number H8ECS38167
Schedule of Grant Activity
For the Period April 1, 2022 through March 31, 2023

REVENUES	
Grant revenue	\$ 105,021
TOTAL REVENUES	105,021
EXPENSES	
Contract services	11,047
Equipment	6,103
Salaries and fringes	86,930
Supplies	941
TOTAL EXPENSES	105,021
REVENUE OVER (UNDER) EXPENSES	\$ -

AUDUBON AREA COMMUNITY CARE CLINIC, INC.
Grants for New and Expanded Services under the Health Center Program
FY 2021 Ending the HIV Epidemic - Primary Care HIV Prevention
Contract Number H8HCS46189
Schedule of Grant Activity
For the Period April 1, 2022 through March 31, 2023

REVENUES	
Grant revenue	\$ 31,699
TOTAL REVENUES	31,699
EXPENSES	
Advertising	724
Contract services	4,142
Salaries and fringes	26,049
Supplies	784
TOTAL EXPENSES	31,699
REVENUE OVER (UNDER) EXPENSES	\$ -

AUDUBON AREA COMMUNITY CARE CLINIC, INC.
Grants for New and Expanded Services under the Health Center Program
FY 2023 Expanding Covid-19 Vaccination
Contract Number H8GCS48793
Schedule of Grant Activity
For the Period April 1, 2022 through March 31, 2023

REVENUES	
Grant revenue	\$ 6,834
TOTAL REVENUES	6,834
EXPENSES	
Contract services	771
Salaries and fringes	6,062
Supplies	1
TOTAL EXPENSES	6,834
REVENUE OVER (UNDER) EXPENSES	\$ -

AUDUBON ARE COMMUNITY CARE CLINIC, INC.
Schedule of Expenditures of Federal Awards
For the Year Ended March 31, 2023

<u>Federal Grantor/Pass-through Grantor/Program or Cluster Title</u>	<u>Federal Assistance Listing Number</u>	<u>Grant Contract Number</u>	<u>Passed Through to Subrecipients</u>	<u>Total Federal Expenditures</u>
<u>Health Center Program Cluster</u>				
<u>U.S. Department of Health and Human Services</u>				
<i>Direct:</i>				
Health Center Program:				
American Rescue Plan Act Funding for Health Centers	93.224	3 H8FCS40749	\$ -	\$ 343,290
Health Center Program	93.224	6 H80CS30714	-	914,000
Total Health Center Program			-	1,257,290
Grants for New and Expanded Services under the Health Center Program:				
FY 2020 Expanding Capacity for Coronavirus Testing (ECT)	93.527	4 H8ECS38167	-	105,021
FY 2021 Ending the HIV Epidemic - Primary Care HIV Prevention	93.527	1 H8HCS46189	-	31,699
FY 2023 Expanding COVID-19 Vaccination	93.527	4 H8GCS48793	-	6,834
Total Grants for New and Expanded Services under the Health Center Program			-	143,554
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			-	1,400,844
TOTAL HEALTH CENTER PROGRAM CLUSTER			-	1,400,844
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ -	\$ 1,400,844

See accompanying notes to Schedule of Federal Awards.

AUDUBON AREA COMMUNITY CARE CLINIC, INC.
Notes to Schedule of Expenditures of Federal Awards
Year Ended March 31, 2023

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Audubon Area Community Care Clinic, Inc. under programs of the federal government for the year ended March 31, 2023. The information in this schedule is presented in accordance with the requirements of *OMB Circular Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards; Subpart F- Audit Requirements*. Because the Schedule presents only a selected portion of the operations of Audubon Area Community Care Clinic, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Audubon Area Community Care Clinic, Inc.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in *OMB Circular Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards; Subpart E- Cost Principles*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE C – OTHER FEDERAL AWARDS

Audubon Area Community Care Clinic, Inc. did not receive any noncash insurance or have any loan or loan guarantees outstanding at the end of the year.

NOTE D – INDIRECT COST RATE

Audubon Area Community Care Clinic, Inc. has elected not to use the 10% de-minimus indirect cost rate allowed under the Uniform Guidance.



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

To the Board of Directors
Audubon Area Community Care Clinic, 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 Audubon Area Community Care Clinic, Inc. (a nonprofit organization), which comprise the statement of financial position as of March 31, 2023, and the related statements of operations and change in net assets, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 27, 2023.

Report on Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned as item 2023-001 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2023-002 to be a significant deficiency.

Report on Compliance and Other Matters

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

Audubon Area Community Care Clinic, Inc.'s Response to Findings

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

Purpose of This Report

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

Alitaden & Company CPAs PSC

Owensboro, Kentucky
December 27, 2023



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

To the Board of Directors
Audubon Area Community Care Clinic, Inc.

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Audubon Area Community Care Clinic, Inc.'s compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of Audubon Area Community Care Clinic, Inc.'s major federal programs for the year ended March 31, 2023. Audubon Area Community Care Clinic, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Audubon Area Community Care Clinic, Inc.'s compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than 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 Audubon Area Community Care Clinic, Inc.'s compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Audubon Area Community Care Clinic, Inc.'s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Audubon Area Community Care Clinic, Inc.'s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Audubon Area Community Care Clinic, Inc.'s internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the 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.



Owensboro, Kentucky
December 27, 2023

AUDUBON AREA COMMUNITY CARE CLINIC, INC.
Schedule of Findings and Questioned Costs
March 31, 2023

SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unmodified opinion on whether the financial statements of Audubon Area Community Care Clinic, Inc. were prepared in accordance with GAAP.
2. One material weakness and one significant deficiency disclosed during the audit of the financial statements is reported in the Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of Audubon Area Community Care Clinic, Inc. which would be required to be reported in accordance with *Government Auditing Standards* were disclosed during the audit.
4. No significant deficiencies in internal control over major federal award programs were disclosed during the audit or reported in the Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance. No material weaknesses are reported.
5. The auditors' report on compliance for the major federal awards programs for Audubon Area Community Care Clinic, Inc. expresses an unmodified opinion on the major federal program.
6. There are no audit findings required to be reported in accordance with 2CFR Section 200.516(a).
7. The programs tested as major programs were:

Health Center Program Cluster
8. The threshold for distinguishing Type A and B programs was \$750,000.
9. The Clinic was determined to be a low-risk auditee.

AUDUBON AREA COMMUNITY CARE CLINIC, INC.
Schedule of Findings and Questioned Costs
March 31, 2023

FINDINGS - FINANCIAL STATEMENT AUDIT

2023-001 Material Weakness:

Evaluating the Collectability of Accounts Receivable and Accounting for Bad Debts

Condition: During our review of the accounts receivable aging schedule, we noted there were numerous aged outstanding claims. The schedule included 2,505 individual balances. Of the 2,505 individual balances, 1,517 or 61% were aged over 120 days. Of the 1,517 individual balances, 932 of the balances were aged over a year. Based on these observations, we requested management reevaluate the collectability of accounts receivable and to provide an adjustment to charge-off any aged accounts if necessary. After management's review of accounts receivable, management provided an adjustment of \$77,962 to record bad debt expense under the direct charge-off method. In summary, before corrections, accounts receivable was not presented at net realizable value and a sufficient allowance for uncollectible accounts was not recorded.

Criteria: In GAAP financial statements, accounts receivable is presented at net realizable value. FASB ASC 450-20-25-2 requires accrual of losses from uncollectible receivables if a loss is probable and the amount of the loss can be reasonably estimated. The accrual must be made even though the particular receivables that are uncollectible may not be identifiable (FASB ASC 310-10-35-9). The direct charge-off method is only appropriate when it does not result in a material difference from the allowance method.

Cause: Clinic personnel responsible for maintaining the accounts receivable listing was not aware of the GAAP requirements for presenting accounts receivable at net realizable value and recording bad debt expense.

Effect: Many aged accounts from prior periods accumulated on the Clinic's subsidiary accounts receivable ledger. For FY 2023, the accumulated aged items resulted in material corrections to the Clinic's records. An additional charge-off of \$77,962 was needed to present accounts receivable at net realizable value.

Recommendations:

- The Clinic should update its current policies and procedure to include the accounting treatment for accounts receivable and bad debts.
- An allowance for uncollectible accounts should be established and periodically reviewed for reasonableness based on historical collection trends and known economic conditions. Ideally, this should be performed during the annual budgeting process to make the process proactive instead of reactive.
- The accounts receivable aging should be reviewed monthly and aged items should be charged to the allowance in accordance with the Clinic's approved policies and procedures so errors do not accumulate and so accounts receivable is reported at net realizable value in accordance with GAAP.

View of Responsible Officials and Planned Corrective Actions: The Clinic will take the auditor's recommendation under advisement.

AUDUBON AREA COMMUNITY CARE CLINIC, INC.
Schedule of Findings and Questioned Costs
March 31, 2023

FINDINGS - FINANCIAL STATEMENT AUDIT

2023-002 Significant Deficiency:

Accounts Receivable Reconciliation

Condition: Currently, the Clinic's accounting software and electronic medical records software are not integrated. As such, a monthly accounts receivable reconciliation is performed and adjustments are made to record the monthly patient billings, collections, contractual adjustments and other write-offs in the Clinic's accounting software. During our review of the March 31, 2023 accounts receivable reconciliation, we observed a reconciling item (or difference) of \$38,506 between the Clinic's accounting software and the electronic medical records software. The Clinic was unable to provide supporting documentation for the reconciling item.

Criteria: Reconciling items noted during the reconciliation process should be followed up in a timely manner. Additionally, supporting documentation for any reconciling items should be retained for the Clinic's records.

Cause: The reconciling items were not investigated and supporting documentation was not retained.

Effect: Errors accumulated in accounts receivable and became material as of March 31, 2023.

Recommendations: During the monthly accounts receivable reconciliation process, any reconciling items should be follow-up in a timely manner. Documentation of the reconciling item should be retained.

View of Responsible Officials and Planned Corrective Actions: The Clinic will take the auditor's recommendation under advisement.

AUDUBON AREA COMMUNITY CARE CLINIC, INC.
Schedule of Prior Year Findings and Questioned Costs
March 31, 2022

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL PROGRAMS AUDIT

None