

AUDUBON AREA COMMUNITY CARE CLINIC, INC.

**FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION**

MARCH 31, 2025 AND 2024

AUDUBON AREA COMMUNITY CARE CLINIC, INC.
Contents
March 31, 2025 and 2024

	<u>Page</u>
Independent Auditors' Report	1-2
Financial Statements:	
Statements of Financial Position	3
Statements of Operations and Changes in Net Assets	4
Statements of Functional Expenses	5-6
Statements of Cash Flows	7
Notes to the Financial Statements	8-19
Supplementary Information:	
Schedules of Grant Activity	20-23
Schedule of Expenditures of Federal Awards	24
Notes to Schedule of Expenditures of Federal Awards	25
Other Information:	
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 <i>Governmental Auditing Standards</i>	26-27
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance by the Uniform Guidance	28-30
Schedule of Findings and Questions Costs	31-33
Schedule of Prior Year Findings and Questioned Costs	34-35
Corrective Action Plan	36-37



INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

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, 2025 and 2024, 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 present fairly, in all material respects, the financial position of Audubon Area Community Care Clinic, Inc. as of March 31, 2025 and 2024, 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 auditors' 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 accompanying schedules of grant activity and 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*, are presented for purposes of additional analysis and are 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 schedules of grant activity and the schedule of expenditures of federal awards are 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 23, 2025, 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 23, 2025

AUDUBON AREA COMMUNITY CARE CLINIC, INC.
Statements of Financial Position
March 31, 2025 and 2024

	2025	2024
ASSETS		
CURRENT ASSETS		
Cash	\$ 205,466	\$ 1,036,276
Patient receivables (net of allowances for credit losses of \$50,000 and \$75,662, respectively)	287,521	159,783
340B drug pricing program receivables	283,088	170,083
Grants receivable	84,556	15
Prepaid expenses	11,794	63,030
	872,425	1,429,187
PROPERTY AND EQUIPMENT		
Buildings	1,656,210	921,029
Vehicles	319,342	311,452
Land and land improvements	442,106	300,263
Leasehold improvements	46,286	102,483
Equipment	104,270	96,872
Construction in progress	-	529,529
Accumulated depreciation	(281,798)	(215,305)
	2,286,416	2,046,323
OTHER ASSETS		
Security deposit	-	9,628
Operating lease right-of-use asset	-	19,048
	-	28,676
OTHER ASSETS		
	-	28,676
TOTAL ASSETS	\$ 3,158,841	\$ 3,504,186
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 105,942	\$ 270,637
Accrued expenses	147,962	113,247
Deferred revenue	-	32,656
Current portion of operating lease liability	-	19,048
Current portion of long-term debt	52,466	50,762
	306,370	486,350
TOTAL CURRENT LIABILITIES		
	306,370	486,350
LONG-TERM LIABILITIES		
Long-term debt, net of current portion	316,446	368,911
	316,446	368,911
TOTAL LONG-TERM LIABILITIES		
	316,446	368,911
TOTAL LIABILITIES		
	622,816	855,261
NET ASSETS		
Without donor restrictions	2,536,025	2,648,925
	2,536,025	2,648,925
TOTAL LIABILITIES AND NET ASSETS	\$ 3,158,841	\$ 3,504,186

See accompanying notes.

AUDUBON AREA COMMUNITY CARE CLINIC, INC.
Statements of Operations and Changes in Net Assets
For the Years Ended March 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS		
REVENUES		
Net patient revenue	\$ 990,543	\$ 1,064,310
340B drug pricing program revenue	1,873,795	1,409,900
Grant revenue	1,642,641	1,293,562
Other contract revenue	6,817	39,095
Other revenue	60,128	50,800
Loss on disposal of leasehold improvements	<u>(54,540)</u>	<u>-</u>
TOTAL REVENUES	<u>4,519,384</u>	<u>3,857,667</u>
EXPENSES		
Health care services	4,124,263	3,065,587
General and administrative	<u>508,021</u>	<u>514,717</u>
TOTAL EXPENSES	<u>4,632,284</u>	<u>3,580,304</u>
CHANGE IN NET ASSETS	(112,900)	277,363
NET ASSETS AT BEGINNING OF YEAR	<u>2,648,925</u>	<u>2,371,562</u>
NET ASSETS AT END OF YEAR	<u><u>\$ 2,536,025</u></u>	<u><u>\$ 2,648,925</u></u>

See accompanying notes.

AUDUBON AREA COMMUNITY CARE CLINIC, INC.
Statement of Functional Expenses
For the Year Ended March 31, 2025

	<u>Health Care Services</u>	<u>General and Administrative</u>	<u>Total Expenses</u>
Advertising	\$ 32,763	\$ 731	\$ 33,494
Bank fees	-	1,443	1,443
Contract pharmacy services	1,258,202	-	1,258,202
Contract services	484,980	48,708	533,688
Depreciation	114,437	-	114,437
Dues and subscriptions	23,187	1,218	24,405
Education and training	13,754	1,054	14,808
Insurance	31,616	2,125	33,741
Interest	13,109	-	13,109
Medical office lease	25,896	11,612	37,508
Miscellaneous	4,616	1,935	6,551
Patient assistance	31,921	-	31,921
Printing and copying costs	19,012	1,388	20,400
Professional fees	25,650	2,448	28,098
Repairs and maintenance	9,678	571	10,249
Salaries and fringes	1,774,134	398,981	2,173,115
Supplies	188,367	11,143	199,510
Travel	19,414	1,617	21,031
Utilities	53,527	23,047	76,574
	<u>\$ 4,124,263</u>	<u>\$ 508,021</u>	<u>\$ 4,632,284</u>

See accompanying notes.

AUDUBON AREA COMMUNITY CARE CLINIC, INC.
Statement of Functional Expenses
For the Year Ended March 31, 2024

	<u>Health Care Services</u>	<u>General and Administrative</u>	<u>Total Expenses</u>
Advertising	\$ 19,980	\$ 177	\$ 20,157
Bank fees	-	415	415
Contract pharmacy services	945,032	-	945,032
Contract services	392,280	46,460	438,740
Depreciation	83,919	-	83,919
Dues and subscriptions	12,023	659	12,682
Education and training	14,539	514	15,053
Insurance	17,891	15,373	33,264
Interest	14,795	-	14,795
Medical office lease	51,991	5,777	57,768
Miscellaneous	3,367	2,329	5,696
Patient assistance	28,822	-	28,822
Printing and copying costs	12,043	857	12,900
Professional fees	23,650	2,783	26,433
Repairs and maintenance	6,923	126	7,049
Salaries and fringes	1,271,854	413,492	1,685,346
Supplies	88,968	1,222	90,190
Taxes	4,396	-	4,396
Travel	21,244	821	22,065
Utilities	51,870	23,712	75,582
	<u>\$ 3,065,587</u>	<u>\$ 514,717</u>	<u>\$ 3,580,304</u>

See accompanying notes.

AUDUBON AREA COMMUNITY CARE CLINIC, INC.
Statements of Cash Flows
For the Years Ended March 31, 2025 and 2024

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (112,900)	\$ 277,363
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Loss on disposal of leasehold improvements	54,540	-
Amortization	19,048	55,186
Depreciation	114,437	83,919
(Increase) decrease in:		
Patient receivables	(127,738)	(24,246)
340B drug pricing program receivables	(113,005)	(16,876)
Grants receivable	(84,541)	43,724
Other receivable	-	56,227
Prepaid expenses	51,236	4,630
Security deposit	9,628	-
Increase (decrease) in:		
Accounts payable	(164,695)	131,298
Accrued expenses	34,715	28,165
Deferred revenue	(32,656)	24,973
Operating lease payments	(19,048)	(55,186)
	(370,979)	609,177
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(409,070)	(1,076,534)
	(409,070)	(1,076,534)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments of debt	(50,761)	(49,078)
	(50,761)	(49,078)
NET DECREASE IN CASH	(830,810)	(516,435)
CASH AT BEGINNING OF YEAR	1,036,276	1,552,711
CASH AT END OF YEAR	\$ 205,466	\$ 1,036,276
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Interest expense	\$ 13,109	\$ 14,795

See accompanying notes.

AUDUBON AREA COMMUNITY CARE CLINIC, INC.
Notes to the Financial Statements
March 31, 2025 and 2024

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 Flow Information

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

At March 31, 2025, the bank balance of the Clinic's deposits were \$204,963. All deposits were insured by FDIC insurance of \$250,000.

At March 31, 2024, the bank balance of the Clinic's deposits were \$1,035,937. All deposits were insured by FDIC insurance of \$250,000 and pledged collateral held in the Clinic's name at the Clinic's financial institution.

Accounts Receivable

The Clinic reports accounts receivable at net realizable amounts due from third-party payers, patients, or pharmacies (340B drug pricing program).

AUDUBON AREA COMMUNITY CARE CLINIC, INC.
Notes to the Financial Statements
March 31, 2025 and 2024

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

Allowance for Credit Losses

The Clinic provides comprehensive primary and preventative medical services to the region. The Clinic provides services to all individuals and families, but primarily intends to provide services to the target demographic of the underinsured and uninsured including homeless individuals and families, as well as individuals and families at risk of becoming homeless. Patients and third-party payers are billed after services are provided. The Clinic records a patient receivable for services once they are expected to be realized. Patient receivables are due in full when billed. The Clinic records an allowance for credit losses based upon a review of outstanding patient receivables, historical collection information, and existing economic conditions. Accounts considered delinquent are written off as bad debts based on individual credit evaluation and specific circumstances of the patient receivable.

The Clinic's patient receivables and allowance for credit losses were as follows as of March 31, 2025 and 2024:

	2025	2024
Patient receivables	\$ 337,521	\$ 235,445
Allowance for credit losses	(50,000)	(75,662)
Patient receivables, net	\$ 287,521	\$ 159,783

Changes in the allowance for credit losses during the years ended March 31, 2025 and 2024 were as follows:

	2025	2024
Beginning balance	\$ (75,662)	\$ (49,389)
Bad debt expense	(20,328)	(92,333)
Write-offs	45,990	66,060
Ending balance	\$ (50,000)	\$ (75,662)

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	5 - 15 years
Equipment	5 years

AUDUBON AREA COMMUNITY CARE CLINIC, INC.
Notes to the Financial Statements
March 31, 2025 and 2024

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

Property and Equipment (continued)

Depreciation expense for the years ended March 31, 2025 and 2024 was \$114,437 and \$83,919, respectively.

Revenue from Customer Contracts

Patient Service Revenue

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.

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.

AUDUBON AREA COMMUNITY CARE CLINIC, INC.
Notes to the Financial Statements
March 31, 2025 and 2024

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

Revenue from Customer Contracts (continued)

Patient Service Revenue (continued)

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 2025 and 2024.

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, 2025 and 2024 was \$20,328 and \$92,333, 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. Sliding fee discounts for the years ended March 31, 2025 and 2024 were \$77,277, and \$42,562, respectively.

340B Drug Pricing Program Revenue

The Clinic recognizes revenue from its participation in the 340B Drug Pricing Program. The federal program allows the Clinic to purchase outpatient drugs at a discount from pharmaceutical manufacturers. Retail pharmacies fills the script, collects the patient co-pay, bills the insurance claims and receives the insurance payment on behalf of the Clinic and withholds a processing fee before remitting payments to the Clinic. The Clinic recognizes revenue per the terms of individual contract pharmacy service agreements with the participating retail pharmacies.

Revenue is recognized as performance obligations are satisfied. Each prescription claim is considered an arrangement with the contract pharmacy and is a separate performance obligation expected to be paid to the Clinic after the contract pharmacy withholds the processing fee. The performance obligation is considered to be complete at the point in time the drugs are physically delivered to a patient or when a patient picks up their prescription or purchases merchandise at the store, which is the point in time when control is transferred. The contract pharmacies remit monthly payments for prescriptions filled in the prior month.

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 using the reimbursement method.

AUDUBON AREA COMMUNITY CARE CLINIC, INC.
Notes to the Financial Statements
March 31, 2025 and 2024

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

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, 2025 and 2024, there were no contributed services meeting the requirements for recognition in the financial statements.

Functional Allocation of Expenses

On the statements of functional expenses, costs have been allocated between health care services and general administrative. Salary and fringes are the most significant allocation and are allocated on the basis of estimates of time and effort. All other costs are estimated based on estimated usage.

Advertising

Advertising costs are charged to expense in the period incurred and totaled \$33,494 and \$20,157 for the years ended March 31, 2025 and 2024, respectively.

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 2022 through 2024 remain subject to examination by the Internal Revenue Service.

Adoption of FASB ASU 2016-13 and Related Standards

Effective April 1, 2023, the Clinic adopted FASB ASU 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, as amended, which modifies the measurement of expected credit losses on certain financial instruments. The Clinic adopted this new guidance utilizing the modified retrospective transition method. The adoption of this Standard did not have a material impact on the Clinic's financial statements.

NOTE B – CONTRACTS WITH CUSTOMERS

Contract Balances

As of March 31, 2025 and 2024, contract balances from contracts with customers were as follows:

	Patient Receivables, net	
	2025	2024
Beginning of year	\$ 159,783	\$ 135,537
End of year	\$ 287,521	\$ 159,783
	340B Drug Pricing Program	
	2025	2024
Beginning of year	\$ 170,083	\$ 153,207
End of year	\$ 283,088	\$ 170,083

AUDUBON AREA COMMUNITY CARE CLINIC, INC.
Notes to the Financial Statements
March 31, 2025 and 2024

NOTE B – CONTRACTS WITH CUSTOMERS (continued)

Disaggregation of Revenue

For the years ended March 31, 2025 and 2024, disaggregated patient revenue was as follows:

	<u>2025</u>	<u>2024</u>
Patient responsibility	\$ 110,391	\$ 68,720
Medicare	199,942	165,557
Medicaid	622,178	598,906
Commercial health insurance	252,367	181,200
	<u>1,184,878</u>	<u>1,014,383</u>
Adjustments	(194,335)	49,927
	<u>990,543</u>	<u>1,064,310</u>
Net patient revenue	<u>\$ 990,543</u>	<u>\$ 1,064,310</u>

NOTE C – GRANTS RECEIVABLE

As of March 31, 2025 and 2024, grants receivable consisted of the following:

	<u>2025</u>	<u>2024</u>
Federal grants receivable	\$ 2,056	\$ 15
Other grants receivable	82,500	-
	<u>\$ 84,556</u>	<u>\$ 15</u>

NOTE D – LONG-TERM DEBT

As of March 31, 2025 and 2024, debt consisted of the following:

	<u>2025</u>	<u>2024</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.	\$ 368,912	\$ 419,673
Less current portion	<u>(52,466)</u>	<u>(50,762)</u>
Long-term portion, net of current portion	<u>\$ 316,446</u>	<u>\$ 368,911</u>

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

2026	\$ 52,466
2027	54,227
2028	56,027
2029	57,927
2030	59,871
Thereafter	<u>88,394</u>
	<u>\$ 368,912</u>

AUDUBON AREA COMMUNITY CARE CLINIC, INC.
Notes to the Financial Statements
March 31, 2025 and 2024

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.

	2025	2024
Financial assets, at year end:		
Cash	\$ 205,466	\$ 1,036,276
Patient accounts receivable	287,521	159,783
340B drug pricing program receivables	283,088	170,083
Grants receivable	84,556	15
Total financial assets, at year end	\$ 860,631	\$ 1,366,157
Financial assets available to meet cash needs for general expenditures within one year	\$ 860,631	\$ 1,366,157

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 its cash reserves or obtain a line of credit.

NOTE F – MEDICAL OFFICE LEASE

The Clinic had a lease agreement for medical office space to provide clinical services. The term of the lease commenced August 1, 2019 and ended July 31, 2024. The terms of the lease allowed for a renewal or extension of term; however, the Clinic did not renew or extend the term during the year ended March 31, 2025. Prior to maturity, rent payments were \$4,814 per month, which were due monthly.

The following summarizes the line items in the balance sheet, which includes amounts for the operating lease as of March 31, 2025 and 2024:

	2025	2024
Operating lease right-of-use asset	\$ -	\$ 19,048
Current portion of operating lease liability	\$ -	\$ 19,048
Total operating lease liability	\$ -	\$ 19,048

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, 2025 and 2024, total rent expense under the lease agreement was \$37,508 and \$57,768, respectively.

For the year ended March 31, 2025 and 2024, cash paid for amounts included in the measurement of the lease liability was \$19,048 and \$55,186, respectively.

As of March 31, 2025 and 2024, the medical office lease had a remaining term of 0 and 4 months remaining, respectively. As of March 31, 2024, the discount rate used to calculate the lease liability was 5.25%.

AUDUBON AREA COMMUNITY CARE CLINIC, INC.
Notes to the Financial Statements
March 31, 2025 and 2024

NOTE G – 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.

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 for the plan year and were as follows for the plan years ended June 30:

	Total	Pension	OPEB
June 30, 2023	26.79%	23.40%	3.39%
June 30, 2024	23.34%	23.34%	0.00%
June 30, 2025	19.71%	19.71%	0.00%

The Clinic contributed \$262,160 and \$200,753 for the years ending March 31, 2025 and 2024, respectively. 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.

AUDUBON AREA COMMUNITY CARE CLINIC, INC.
Notes to the Financial Statements
March 31, 2025 and 2024

NOTE G – PENSION EXPENSE (continued)

Multi-Employer Pension Plan (continued)

Based on latest annual actuarial valuation from KRS for fiscal years ended June 30, 2024 and 2023 for CERS Non-Hazardous employee group are as follows (\$ in Thousands):

	2024	2023
Plan fiduciary net position	\$ 9,596,244	\$ 8,672,597
Total pension liability	15,576,667	15,089,106
Net pension liability	\$ 5,980,423	\$ 6,416,509
Plan fiduciary net position as a percentage of the total pension liability	61.61%	57.48%

The Clinic is not required to accrue its proportionate share of the unfunded net pension liability.

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.

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. See page 15 for OPEB contribution rates.

The contribution requirement of the Clinic to the KRS Insurance Fund for the year ended March 31, 2025 and 2024 was \$0 and \$6,203, respectively.

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

AUDUBON AREA COMMUNITY CARE CLINIC, INC.
Notes to the Financial Statements
March 31, 2025 and 2024

NOTE G – PENSION EXPENSE (continued)

Multi-Employer Postretirement Benefits Other than Pension Plans (continued)

Based on latest annual actuarial valuation from KRS for fiscal years ended June 30, 2024 and 2023 for CERS Non-Hazardous employee group are as follows (\$ in Thousands):

	2024	2023
Plan fiduciary net position	\$ 3,707,277	\$ 3,398,375
Total OPEB liability	3,534,297	3,260,308
Net OPEB liability (asset)	\$ (172,980)	\$ (138,067)
Plan fiduciary net position as a percentage of the total OPEB liability	104.89%	104.23%

The Clinic is not required to accrue its proportionate share of the unfunded net OPEB liability.

NOTE H – 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, 2025 and 2024 was \$2,173,115 and \$1,685,346, respectively.

Under the affiliation agreement the Clinic agrees to reimburse indirect costs to AACS at a % 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, 2025 and 2024 was \$211,454 and \$165,743, respectively.

NOTE I - 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, 2025 and 2024 grant revenue from HHS was \$1,528,343 or 34% of total revenue and \$1,255,099 or 33% of total revenue, respectively.

Net Patient Revenue - Medicaid

The Clinic derives a concentrated portion of its revenues from Medicaid. For the years ended March 31, 2025 and 2024 patient revenues related to reimbursements for medical services from the third party payor Medicaid net of contractual adjustments totaled \$909,605 or 20% of total revenues and \$966,196 or 25% of total revenues, respectively.

340B Drug Pricing Program Revenue

The Clinic derives a concentrated portion of its revenues from its participation in a federal program known as the 340B Drug Pricing Program. For the years ended March 31, 2025 and 2024, gross reimbursements from participating in the program were \$1,873,795 and \$1,409,900 or 41% and 37% of total revenue, respectively.

AUDUBON AREA COMMUNITY CARE CLINIC, INC.
Notes to the Financial Statements
March 31, 2025 and 2024

NOTE I – CONCENTRATIONS (continued)

340B Drug Pricing Program Revenue (continued)

Net revenue from participating in the program for the years ended March 31, 2025 and 2024 was as follows:

	2025	2024
Gross reimbursements	\$ 1,873,795	\$ 1,409,900
Drug costs	(1,042,536)	(795,455)
Processing fees	(215,666)	(149,577)
Total 340B program costs	(1,258,202)	(945,032)
Net 340B program revenue	\$ 615,593	\$ 464,868

NOTE J – CONCENTRATIONS OF CREDIT RISK

The Clinic grants credit without collateral to its patients, most of who are area residents. The Clinic also participates in the 340B drug pricing program. The concentration of receivables from patients, third party payers, and amounts due from pharmacies (340B drug pricing program) at March 31, 2025 and 2024 was as follows:

	2025	2024
Medicaid	46%	39%
Medicare	1%	7%
Patient	2%	2%
Commercial	5%	17%
340B Program	46%	35%
	100%	100%

NOTE K – RELATED PARTY TRANSACTIONS

The Clinic has a contract pharmacy services agreement with a local pharmacy related to its 340B Drug Pricing Program. A board member is an owner of the pharmacy. Under the terms of the agreement a processing fee is withheld from reimbursements remitted to the Clinic. For the year ended March 31, 2025 and 2024 processing fees to the local pharmacy owned by a board member were \$27,992 and \$33,093, respectively.

NOTE L – 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 claims as of the date of this report.

AUDUBON AREA COMMUNITY CARE CLINIC, INC.
Notes to the Financial Statements
March 31, 2025 and 2024

NOTE L – COMMITMENTS AND CONTINGENCIES (continued)

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.

Construction Agreement

On December 1, 2023, the Clinic entered into a construction agreement with a local contractor to perform renovations at 4215 Benttree Drive. The total contract price was \$765,820. As of March 31, 2024, the Clinic had incurred \$479,268 and had a total remaining commitment of \$286,552 under the terms of the construction agreement. During March 31, 2025, the renovations were completed and placed into service.

NOTE M – SUBSEQUENT EVENTS

On August 14, 2025 the Clinic entered into an agreement with a contractor to repair damages related to a hailstorm that occurred during fiscal year 2025. The total amount of the commitment was \$44,917.

The Clinic did not have any other subsequent events through December 23, 2025, 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, 2025.

SUPPLEMENTARY INFORMATION

AUDUBON AREA COMMUNITY CARE CLINIC, INC.
Schedule of Grant Activity
Health Center Program
Community Health Centers
Contract Number H80CS30714
For the Period April 1, 2024 through March 31, 2025

REVENUES	
Grant revenue	\$ 944,708
TOTAL REVENUES	944,708
EXPENSES	
Advertising	14,435
Bank fees	450
Contract services	113,146
Dues and subscriptions	5,833
Education and training	7,562
Equipment	72,676
Insurance	36,306
Medical office lease	21,946
Miscellaneous	1,342
Patient assistance	13,038
Printing and copying costs	3,531
Repairs and maintenance	619
Salaries and fringes	616,032
Supplies	14,782
Travel	1,409
Utilities	21,601
TOTAL EXPENSES	944,708
REVENUE OVER (UNDER) EXPENSES	\$ -

AUDUBON AREA COMMUNITY CARE CLINIC, INC.
Schedule of Grant Activity
FY 2021 Ending the HIV Epidemic - Primary Care HIV Prevention
Affordable Care Act Grants for New and Expanded Services under the Health
Center Program
Contract Number H8HCS46189
For the Period April 1, 2024 through March 31, 2025

REVENUES	
Grant revenue	\$ 219,522
TOTAL REVENUES	219,522
EXPENSES	
Advertising	186
Contract services	14,283
Dues and subscriptions	2,560
Education and training	72
Miscellaneous	732
Salaries and fringes	200,647
Supplies	284
Travel	758
TOTAL EXPENSES	219,522
REVENUE OVER (UNDER) EXPENSES	\$ -

AUDUBON AREA COMMUNITY CARE CLINIC, INC.
Schedule of Grant Activity
Health Center Program Service Expansion - School Based Services Sites
Affordable Care Act Grants for New and Expanded Services Under the Health
Center Program
Contract Number H2ECS50156
For the Period April 1, 2024 through March 31, 2025

REVENUES	
Grant revenue	\$ 361,300
TOTAL REVENUES	361,300
EXPENSES	
Contract services	86,753
Miscellaneous	1,324
Patient assistance	911
Salaries and fringes	270,651
Supplies	1,450
Travel	211
TOTAL EXPENSES	361,300
REVENUE OVER (UNDER) EXPENSES	\$ -

AUDUBON AREA COMMUNITY CARE CLINIC, INC.
Schedule of Grant Activity
FY 2023 Bridge Access Program
Affordable Care Act Grants for New and Expanded Services Under the Health
Center Program
Contract Number H8LCS51946
For the Period April 1, 2024 through March 31, 2025

REVENUES	
Grant revenue	\$ 2,813
TOTAL REVENUES	2,813
EXPENSES	
Contract services	330
Salaries and fringes	2,483
TOTAL EXPENSES	2,813
REVENUE OVER (UNDER) EXPENSES	\$ -

AUDUBON ARE COMMUNITY CARE CLINIC, INC.
Schedule of Expenditures of Federal Awards
For the Year Ended March 31, 2025

<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	93.224	H80CS30714	\$ -	\$ 944,708
Total Health Center Program			-	944,708
Affordable Care Act (ACA) Grants for New and Expanded Services Under the Health Center Program:				
FY 2021 Ending the HIV Epidemic - Primary Care HIV Prevention	93.527	H8HCS46189	-	219,522
Health Center Program Service Expansion - School Based Services Sites	93.527	H2ECS50156	-	361,300
FY 2023 Bridge Access Program	93.527	H8LCS51946C6 (COVID-19)	-	2,813
Total Affordable Care Act (ACA) Grants for New and Expanded Services Under the Health Center Program			-	583,635
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			-	1,528,343
TOTAL HEALTH CENTER PROGRAM CLUSTER			-	1,528,343
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ -	\$ 1,528,343

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, 2025

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, 2025. 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-minimis 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, 2025, 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 23, 2025.

Report on Internal Control over Financial Reporting

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

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 23, 2025



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, 2025. Audubon Area Community Care Clinic, Inc.'s major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Audubon Area Community Care Clinic, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended March 31, 2025.

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 Auditors' 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 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.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2025-001 and 2025-002. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on Audubon Area Community Care Clinic, Inc.'s response to the noncompliance findings identified in our compliance audit 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 compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

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

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

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

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

Altaden & Company CPAS PSC

Owensboro, Kentucky
December 23, 2025

AUDUBON AREA COMMUNITY CARE CLINIC, INC.
Schedule of Findings and Questioned Costs
March 31, 2025

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. No significant deficiencies or material weaknesses were disclosed during the audit of the financial statements, which would be required to be 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. were disclosed during the audit, which would be required to be 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*.
4. No significant deficiencies or material weaknesses in internal control over major federal award programs were disclosed during the audit, which would be required to be reported in the Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance.
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 were no other audit findings required to be reported in accordance with 2CFR Section 200.516(a).
7. The program tested as a major program was:

Health Center Program Cluster
8. The threshold for distinguishing Type A and B programs was \$750,000.
9. The Clinic was determined to not be a low-risk auditee.

AUDUBON AREA COMMUNITY CARE CLINIC, INC.
Schedule of Findings and Questioned Costs
March 31, 2025

FINDINGS - FINANCIAL STATEMENT AUDIT

None.

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL PROGRAMS AUDIT

DEPARTMENT OF HEALTH AND HUMAN SERVICES

2025-001 Other Matter:

Special Tests and Provisions: Sliding Fee Scale Applications

Condition: During our audit, we selected a sample of 25 records for patients treated during the audit period to determine whether patient charges were appropriately adjusted based on income and family size by applying the health center's sliding fee discount schedule. During our procedures, five sliding fee scale applications were not documented for patients receiving the sliding fee discount.

Criteria: The Clinic is required to establish systems for determining and documenting sliding fee eligibility determination. Sliding fee scale applications serve as the key source documentation for documenting patients' income and family size for eligibility determination. Sliding fee scale applications should be completed and maintained for all patients receiving the sliding fee scale discount.

Cause: The five undocumented sliding fee scale applications were related to one staff member. The staff member did not follow up with the patients in a timely manner to document the sliding fee scale applications.

Effect: Sliding fee discounts for the referenced five patients with undocumented sliding fee scale applications were not supported by adequate documentation to determine if the patients were eligible to receive the sliding fee scale discount.

Recommendations: The staff member responsible for the undocumented sliding fee scale applications should be informed and trained on the Clinic's documentation requirements for the sliding fee program. The Clinic should monitor the staff member to ensure the condition has been resolved.

View of Responsible Officials and Planned Corrective Actions: Management agrees with the other matter. Corrective action has been taken. On October 23, 2025, Management informed the applicable staff member regarding the undocumented sliding fee scale applications identified during the audit. The staff member acknowledged the undocumented sliding fee scale applications. The staff member has been retrained on the sliding fee scale documentation requirements. Management will supervise and monitor the staff member to ensure the other matter has been resolved.

AUDUBON AREA COMMUNITY CARE CLINIC, INC.
Schedule of Findings and Questioned Costs
March 31, 2025

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL PROGRAMS AUDIT (continued)

DEPARTMENT OF HEALTH AND HUMAN SERVICES

2025-002 Other Matter

Special Tests and Provisions: Sliding Fee Discounts – Federal Poverty Guidelines

Condition: During our audit, we selected a sample of 25 records for patients treated during the audit period to determine whether patient charges were appropriately adjusted based on income and family size by applying the Clinic's board approved sliding fee discount scales.

Although the Clinic timely updated its board-approved sliding fee scales to reflect the most recent FPGs, the electronic medical record (EMR) system does not automatically re-evaluate a patient's discount level using the current FPGs at the date of service. Instead, the system locks the discount calculation to the FPG in effect on the date the patient's income and family-size information was originally entered into the EMR.

During our procedures, four sliding fee discounts did not use the correct FPGs to determine the sliding fee discount.

Criteria: Sliding fee discounts should be determined based on the most recent FPGs at the date of service.

Cause: The EMR uses the FPGs as of the date the sliding fee discount information was entered into the software instead of the FPG as of the date of service. Example: A patient's sliding fee information is entered December 1, 2024. If the patient receives services during 2025, the EMR continues to calculate the sliding fee discount based on the 2024 FPG (when the sliding fee information was inputted into the software).

Effect: Sliding fee discounts are calculated using outdated FPGs. Since the FPGs do not change significantly, most patient's will still be within the same FPG range and charged the appropriate sliding fee discount, so there is no material (or significant) impact to the financial statements or compliance over the Clinic's major federal program.

Recommendations: While using outdated FPGs for sliding fee discounts will not result in a material misstatement to the financial statements or material noncompliance due to the nature of the issue, the Clinic should address to ensure the sliding fee discount program is being operated as required by the Health Center Program Compliance Manual and intended by the board of directors.

View of Responsible Officials and Planned Corrective Actions: Management agrees with the other matter. Planned corrective action is in progress. Management has reached out to their EMR provider to discuss an implementation strategy to address the condition. Implementation of corrective action is expected to occur once the 2026 FPGs are released.

AUDUBON AREA COMMUNITY CARE CLINIC, INC.
Schedule of Prior Year Findings and Questioned Costs
March 31, 2024

FINDINGS - FINANCIAL STATEMENT AUDIT

2024-001 Material Weakness:

340B Drug Pricing Program Reimbursements, Costs, Payables, and Receivables

Condition: During the audit of the Clinic's financial statements for the year ended March 31, 2024, we identified material misstatements related to the Clinic's 340B Drug Pricing Program. Specifically, the following discrepancies were noted:

- 340B reimbursements were understated by \$106,061. All outstanding receivables related to the 340B Drug Pricing Program were not accrued.
- 340B costs were understated by \$15,937. All outstanding payables related to the 340B Drug Pricing Program were not accrued. Additionally, \$50,871 of costs were included in the current period that should have been reported in the prior period.
- 340B receivables were understated by \$60,181, due to the failure to properly record amounts owed from pharmacies, which were due but not recognized as receivables in the Clinic's financial records.
- 340B program payables were understated by \$20,928, as a result of failure to record amounts owed to vendors or manufacturers for drug acquisitions made under the 340B program during the reporting period.

Recommendations: We recommend that the Clinic take the following corrective actions to address these deficiencies in its 340B program accounting:

- Implement a comprehensive reconciliation process for 340B reimbursements, costs, payables, and receivables to ensure all transactions are recorded. Annual and interim reports can be obtained and compared to the Clinic's records.

Current Status: The Clinic has implemented the auditors' recommendations.

AUDUBON AREA COMMUNITY CARE CLINIC, INC.
Schedule of Prior Year Findings and Questioned Costs
March 31, 2024

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL PROGRAMS AUDIT

DEPARTMENT OF HEALTH AND HUMAN SERVICES

2024-002 Significant Deficiency:

Reporting: UDS Reporting Errors

Condition: The 2023 UDS Report contained errors, including line items containing “critical information” per the May 2023 Compliance Supplement. The UDS Report errors we identified are summarized below:

UDS Report - 2023			
<u>Table 9E - Other Revenues (Summarized)</u>	<u>Actual</u>	<u>Reported</u>	<u>Difference</u>
Total BPHC Grants*	\$ 1,168,591	\$ 1,271,697	\$ (103,106)
Total Other Federal Grants	106,670	162,926	(56,256)
Total Non-Federal Grants or Contracts	21,114	250,000	(228,886)
Total Revenue	<u>\$ 1,296,375</u>	<u>\$ 1,684,623</u>	<u>\$ (388,248)</u>

*The May 2023 Compliance Supplement designates as Key Line Items containing critical information.

Recommendations: The UDS preparer should gain an understanding of the underlying documentation used to report the correct information. In addition, the financial statements should be compared to the UDS for all financial amounts presented. Any reconciling items between the Clinic’s financial statements and UDS should be documented and explained. The Clinic may want to consider a secondary review of the financial information included in the UDS by a member of the finance team.

Current Status: The Clinic has implemented the auditors’ recommendations.



**CORRECTIVE ACTION PLAN
December 23, 2025**

Audubon Area Community Care Clinic, Inc. respectfully submits the following corrective action plan for the year ended March 31, 2025.

Name and address of independent public accounting firm:

Alexander & Company, CPAs PSC
2707 Breckenridge St., Suite 1
Owensboro, Kentucky 42303

Audit period:

March 31, 2025

The findings from the March 31, 2025 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

FINDINGS – FEDERAL AWARD PROGRAMS AUDITS

DEPARTMENT OF HEALTH AND HUMAN SERVICES

OTHER MATTER:

2025-001 Special Tests and Provisions: Sliding Fee Scale Applications

Recommendations: The staff member responsible for the undocumented sliding fee scale applications should be informed and trained on the Clinic's documentation requirements for the sliding fee program. The Clinic should monitor the staff member to ensure the condition has been resolved.

Action Taken: Management agrees with the other matter. Corrective action has been taken. On October 23, 2025, management informed the applicable staff member regarding the undocumented sliding fee scale applications identified during the audit. The staff member acknowledged the undocumented sliding fee scale applications. The staff member has been retrained on the sliding fee scale documentation requirements. Management will supervise and monitor the staff member to ensure the other matter has been resolved.

OTHER MATTER:

2025-002 Special Tests and Provisions: Sliding Fee Discounts – Federal Poverty Guidelines

Recommendations: While using outdated FPGs for sliding fee discounts will not result in a material misstatement to the financial statements or material noncompliance due to the nature of the issue, the Clinic should address to ensure the sliding fee discount program is being operated as required by the Health Center Program Compliance Manual and intended by the board of directors.

Action Taken: Management agrees with the other matter. Planned corrective action is in progress. Management has reached out to their EMR provider to discuss an implementation strategy to address the condition. Implementation of corrective action is expected to occur once the 2026 FPGs are released.

If the Department of Health and Human Services has questions regarding this plan, please call Byron Mayes, CFO at (270) 686-1635.

Sincerely yours,

A handwritten signature in black ink, appearing to read 'Brandon Harley', written in a cursive style.

Brandon Harley, Chief Executive Officer
Audubon Area Community Services, Inc.