

**AUDUBON AREA COMMUNITY CARE CLINIC, INC.**

**FINANCIAL STATEMENTS  
AND  
SUPPLEMENTARY INFORMATION**

**MARCH 31, 2020 AND 2019**

**AUDUBON AREA COMMUNITY CARE CLINIC, INC.**  
**Contents**  
**March 31, 2020 and 2019**

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## INDEPENDENT AUDITORS' REPORT

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Audubon Area Community Care Clinic, Inc. (a nonprofit organization), which comprise the balance sheets as of March 31, 2020 and 2019, and the related statements of operations and changes in net assets, functional expenses and cash flows for the years ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

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

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

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

### ***Opinions***

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, 2020 and 2019, 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.

## **Other Matters**

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of grant activity included on page 17 is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2020, 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.

A handwritten signature in dark ink that reads "Altaden & Company CPAs PSC". The signature is written in a cursive, flowing style.

Owensboro, Kentucky  
December 3, 2020

**AUDUBON AREA COMMUNITY CARE CLINIC, INC.**  
**Balance Sheets**  
**March 31, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 257,626	\$ 226,072
Patient accounts receivable	59,426	87,401
Grants receivable	259	27,750
Prepaid expenses	<u>6,375</u>	<u>6,224</u>
<b>TOTAL CURRENT ASSETS</b>	<u>323,686</u>	<u>347,447</u>
<b>PROPERTY AND EQUIPMENT</b>		
Leasehold improvements	102,483	-
Accumulated depreciation	<u>(3,534)</u>	<u>-</u>
<b>NET PROPERTY AND EQUIPMENT</b>	<u>98,949</u>	<u>-</u>
<b>OTHER ASSETS</b>		
Security deposit	<u>9,628</u>	<u>-</u>
<b>OTHER ASSETS</b>	<u>9,628</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 432,263</u></u>	<u><u>\$ 347,447</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 56,975	\$ 45,945
Accrued expenses	<u>24,749</u>	<u>22,390</u>
<b>TOTAL LIABILITIES</b>	<u>81,724</u>	<u>68,335</u>
<b>NET ASSETS</b>		
Without donor restrictions	<u>350,539</u>	<u>279,112</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 432,263</u></u>	<u><u>\$ 347,447</u></u>

See accompanying notes.

**AUDUBON AREA COMMUNITY CARE CLINIC, INC.**  
**Statements of Operations and Change in Net Assets**  
**For the Years Ended March 31, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
<b>NET ASSETS WITHOUT DONOR RESTRICTIONS</b>		
<b>REVENUES</b>		
Patient revenue (net of contractual adjustments and discounts)	\$ 327,016	\$ 199,912
Grant revenue	816,685	911,548
Other revenues	<u>10,625</u>	<u>1,744</u>
<b>TOTAL REVENUES</b>	<u>1,154,326</u>	<u>1,113,204</u>
<b>EXPENSES</b>		
Program services	841,264	623,989
General and administrative	<u>241,635</u>	<u>259,361</u>
<b>TOTAL EXPENSES</b>	<u>1,082,899</u>	<u>883,350</u>
<b>INCREASE IN NET ASSETS</b>	71,427	229,854
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<u>279,112</u>	<u>49,258</u>
<b>NET ASSETS AT END OF YEAR</b>	<u><u>\$ 350,539</u></u>	<u><u>\$ 279,112</u></u>

See accompanying notes.

**AUDUBON AREA COMMUNITY CARE CLINIC, INC.**  
**Statement of Functional Expenses**  
**For the Year Ended March 31, 2020**

	<b>Health Care Services</b>	<b>General and Administrative</b>	<b>Total Expenses</b>
Bank fees	\$ -	\$ 1,176	\$ 1,176
Contract services	273,709	35,902	309,611
Depreciation	-	3,534	3,534
Dues and subscriptions	1,321	2,461	3,782
Education and training	895	710	1,605
Equipment	6,776	1,682	8,458
Insurance	14,044	2,718	16,762
Miscellaneous	862	3,200	4,062
Patient assistance	225	-	225
Printing and copying costs	4,820	676	5,496
Professional fees	19,336	-	19,336
Repairs and maintenance	696	2,985	3,681
Medical office lease	26,370	13,628	39,998
Salaries and fringes	442,627	153,207	595,834
Software maintenance agreement	2,089	232	2,321
Supplies	24,706	4,530	29,236
Travel	385	3,903	4,288
Utilities	22,403	11,091	33,494
	<u>\$ 841,264</u>	<u>\$ 241,635</u>	<u>\$ 1,082,899</u>

See accompanying notes.

**AUDUBON AREA COMMUNITY CARE CLINIC, INC.**  
**Statement of Functional Expenses**  
**For the Year Ended March 31, 2019**

	<b>Health Care Services</b>	<b>General and Administrative</b>	<b>Total Expenses</b>
Bank fees	\$ -	\$ 909	\$ 909
Contract services	265,483	28,965	294,448
Dues and subscriptions	1,296	1,341	2,637
Education and training	1,675	1,222	2,897
Equipment	6,448	4,114	10,562
Insurance	13,384	1,469	14,853
Miscellaneous	450	897	1,347
Printing and copying costs	3,314	1,549	4,863
Professional fees	-	14,038	14,038
Repairs and maintenance	322	22	344
Medical office lease	8,622	2,178	10,800
Salaries and fringes	292,390	183,839	476,229
Software maintenance agreement	831	-	831
Supplies	13,732	2,669	16,401
Travel	3,325	5,591	8,916
Utilities	12,717	10,558	23,275
	<u>\$ 623,989</u>	<u>\$ 259,361</u>	<u>\$ 883,350</u>

See accompanying notes.



**AUDUBON AREA COMMUNITY CARE CLINIC, INC.**  
**Statements of Cash Flows**  
**For the Years Ended March 31, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase in net assets	\$ 71,427	\$ 229,854
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	3,534	-
(Increase) decrease in:		
Patient accounts receivable	27,975	(58,368)
Grants receivable	27,491	38,994
Prepaid expenses	(151)	(1,206)
Other assets	(9,628)	-
Increase (decrease) in:		
Accounts payable	11,030	(25,457)
Accrued expenses	2,359	9,970
	<u>134,037</u>	<u>193,787</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property and equipment	<u>(102,483)</u>	<u>-</u>
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<u>(102,483)</u>	<u>-</u>
<b>NET INCREASE IN CASH</b>	<u>31,554</u>	<u>193,787</u>
<b>CASH AT BEGINNING OF YEAR</b>	<u>226,072</u>	<u>32,285</u>
<b>CASH AT END OF YEAR</b>	<u><u>\$ 257,626</u></u>	<u><u>\$ 226,072</u></u>

See accompanying notes.

**AUDUBON AREA COMMUNITY CARE CLINIC, INC.**  
**Notes to the Financial Statements**  
**March 31, 2020 and 2019**

**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.

The Clinic derives support through grants and contracts with the U.S. Department of Health and Human Services and the State of Kentucky Cabinet for Health and Family Services. The largest part of the revenues is derived from patient care services and from aforementioned grants and contracts.

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, 2020, the bank carrying amount of the Clinic's cash was \$257,491. Of the total cash balance, \$250,000 was covered by Federal depositary insurance and \$7,491 was uninsured.

At March 31, 2019, the bank carrying amount of the Clinic's cash was \$225,849. Of the total cash balance, the entire amount was covered by Federal depositary insurance.

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.

**AUDUBON AREA COMMUNITY CARE CLINIC, INC.**  
**Notes to the Financial Statements**  
**March 31, 2020 and 2019**

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

Patient Accounts Receivable (continued)

As of March 31, 2020 and 2019, no allowance for doubtful accounts was recorded. Management expects to collect essentially all of patient accounts receivable presented.

Property and Equipment

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. The Clinic capitalizes fixed assets with a value greater than \$5,000 and a life greater than a year. Property and equipment is stated at cost when purchased. Property and equipment are depreciated using the straight-line method as follows:

Leasehold improvements	10 years
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Depreciation expense for 2020 and 2019 was \$3,534 and \$0.

Sliding Fee Discount

The Clinic provides care to clients who meet certain criteria under its sliding fee discount policy without charge or at amounts less than its established rates. Because the Clinic does not pursue collection of amounts determined to qualify, they are not reported as revenue.

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, 2020 and 2019, 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 \$0 for the years ended March 31, 2020 and 2019.

**AUDUBON AREA COMMUNITY CARE CLINIC, INC.**  
**Notes to the Financial Statements**  
**March 31, 2020 and 2019**

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

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 2017 through 2019 remain subject to examination by the Internal Revenue Service.

Recently Issued Accounting Standard

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606). This ASU partially supersedes not-for-profit (NFP) industry-specific guidance and substantially all existing revenue recognition guidance. It also adds significant annual disclosures. Even if the amount or timing of revenue recognition doesn't change, presentation and disclosure will. This new standard would've been effective April 2019, however due to the uncertainties surrounding the COVID-19 pandemic, the FASB has granted a one-year effective date delay. Therefore, this new standard will go into effect April 2020.

**NOTE B – PATIENT REVENUE**

The Clinic has agreements with third-party payers that provide for payments to the Clinic at amounts different from its established rates. A summary of the payment arrangements with major third-party payers follows.

- *Medicaid & Medicare.* Patient services are reimbursed under a fee-for-service methodology, where the Clinic is reimbursed for each service provided. The Clinic is reimbursed at a predetermined, fixed amount.

Outpatient services are reimbursed under a fee-for-service methodology.

Patient service revenue is reported at the estimated net realizable amounts from clients, third-party payers and others for services rendered. Patient revenue is recorded net of sliding fee discounts, contractual adjustments with third-party payers, and bad debts.

The Clinic recognizes patient revenue associated with services provided to clients who have third-party payor coverage on the basis of contractual rates for the services rendered. For uninsured clients that do not qualify for sliding fee discount, the Clinic recognizes revenue on the basis of its standard rates for services provided (or on the basis of discounted rates, if negotiated or provided by policy). On the basis of historical experience, a portion of the Clinic's underinsured clients will be unable or unwilling to pay for the services provided. Thus, Clinic records a provision for bad debts related to uninsured clients in the period the services are provided.

The Clinic also has entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to the Clinic under these agreements includes prospectively determined rates and discounts from established charges.

**AUDUBON AREA COMMUNITY CARE CLINIC, INC.**  
**Notes to the Financial Statements**  
**March 31, 2020 and 2019**

**NOTE C – GRANTS RECEIVABLE**

As of March 31, 2020, grants receivable consisted of the following:

	<u>2020</u>	<u>2019</u>
Health Center Program (Health Care for the Homeless)	\$ 259	\$ 27,750

**NOTE D – 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.

	<u>2020</u>	<u>2019</u>
Financial assets, at year end:		
Cash	\$ 257,626	\$ 226,072
Patient accounts receivable	59,426	87,401
Grants receivable	259	27,750
Total financial assets, at year end	<u>317,311</u>	<u>341,223</u>
Less those unavailable for general expenditure within one year, due to		
Contractual or donor-imposed restrictions:		
None	-	-
Board designations:		
None	<u>-</u>	<u>-</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 317,311</u>	<u>\$ 341,223</u>

The Clinic is substantially supported by its grants and contracts with the U.S. Department of Health and Human Services. There have been no significant changes to the Clinic's funding agreements. Financial assets are generally readily available for general expenditures within one year. In the event of unanticipated liquidity needs, the Clinic could use its substantial amount of cash reserves or obtain a line of credit.

**NOTE E – 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.

**AUDUBON AREA COMMUNITY CARE CLINIC, INC.**  
**Notes to the Financial Statements**  
**March 31, 2020 and 2019**

**NOTE F – MEDICAL OFFICE LEASE**

In 2020, the Clinic had 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. Rent payments are \$4,814 per month. Rent expense for the year ended March 31, 2020 was \$39,998. The future minimum required lease payments for the next five years are as follows:

2021	\$ 57,768
2022	57,768
2023	57,768
2024	57,768
2025	<u>19,256</u>
Total	<u>\$ 250,328</u>

In 2019, the Clinic had a lease agreement with Wendell Fosters' Campus for Developmental Disabilities, Inc. for office space and providing clinical services. The term of the lease commenced August 1, 2018 and ended July 31, 2019. Rent payments were \$900 per month. Rent expense for the year ended March 31, 2019 was \$10,800.

**NOTE G – PENSION EXPENSE**

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

*Multi-Employer Pension Plan*

The Organization 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 Organization chooses to stop participating in the plan, it may be required to pay a withdrawal liability to the plan. At this time, the Organization 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 was required to contribute at an actuarially determined rate of 19.30% and 16.22% for the nine months ended March 31, 2020 and March 31, 2019 of participating non-hazardous duty employees' annual creditable compensation.

**AUDUBON AREA COMMUNITY CARE CLINIC, INC.**  
**Notes to the Financial Statements**  
**March 31, 2020 and 2019**

**NOTE G – PENSION EXPENSE (continued)**

Normal compensation and past service contribution rates are determined in accordance with KRS 61.565 (3) on the basis of an annual valuation.

The Clinic contributed \$52,701 and \$30,556 for the years ending March 31, 2020 and 2019. 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, 2019 and 2018 for CERS Non-Hazardous employee group are as follows (\$ in Thousands):

	<u>2019</u>	<u>2018</u>
Actuarial value of assets	\$ 7,033,045	\$ 7,018,963
Actuarial accrued liability	<u>14,192,966</u>	<u>13,109,268</u>
Unfunded liability	\$ 7,159,921	\$ 6,090,305
Level of funding	50.45%	53.54%

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.

*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. The required contribution rates for the nine months ended March 31, 2020 and 2019 were 4.76% and 5.26%, respectively, of participating members' compensations. The contribution requirement of the Clinic to the KRS Insurance Fund for the year ended March 31, 2020 and 2019 was \$12,998 and \$9,909.

**AUDUBON AREA COMMUNITY CARE CLINIC, INC.**  
**Notes to the Financial Statements**  
**March 31, 2020 and 2019**

**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, 2020 and 2019 was \$595,834 and \$476,229. As of March 31, 2020 and 2019 the total amounts due to AACS for payroll reimbursement and miscellaneous accounts payable was \$11,339 and \$34,868, 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, 2020 and 2019 was \$65,113 and \$53,479.

**NOTE I – SLIDING FEE DISCOUNT**

The amount of charges forgone for services furnished under the Clinic's sliding fee discount policy totaled approximately \$37,925 and \$47,819 for the years ended March 31, 2020 and 2019, when measured at its established rates.

**NOTE J - CONCENTRATIONS**

Revenue

The Clinic's primary source of funding for the years ended March 31, 2020 and 2019 was a grant awarded by the U.S. Department of Health and Human Services (HHS). The HHS grant falls under CFDA 93.224 Consolidated Health Centers (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care). The grant periods covered from April 1, 2019 to March 31, 2020 and April 1, 2018 to March 31, 2019 and the total amount awarded for the periods were \$961,286 and \$879,229. The total amount earned for the years ended March 31, 2020 and 2019 was \$794,545 or 69% of total revenue and \$879,229 or 79% of total revenue. As of March 31, 2020 and 2019, the total amount outstanding was \$259 and \$27,750 or 100% of total grants receivable for both periods.

For the years ended March 31, 2020 and 2019 patient revenues from third party payer Medicaid net of contractual adjustments totaled \$270,193 or 23% of total revenues and \$178,539 or 16% of total revenues.

Contracted Services

The Clinic has a memorandum of agreement with Owensboro Health Medical Group, Inc. dba One Health (One Health). Under the agreement One Health provides contracted services which includes the services of a medical director and an advanced practice registered nurse who oversee and provide all the medical care to the Clinic's patients. Any changes to the agreement could significantly impact the Clinic's costs or ability to provide medical care to its patients. Total expenses incurred under this agreement for the years ended March 31, 2020 and 2019 was \$170,685 and \$166,239.



**AUDUBON AREA COMMUNITY CARE CLINIC, INC.**  
**Notes to the Financial Statements**  
**March 31, 2020 and 2019**

**NOTE K – 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, 2020 was as follows:

	<u>2020</u>	<u>2019</u>
Medicaid	49%	57%
Medicare	12%	27%
Patient	16%	15%
Commercial	23%	1%
	<u>100%</u>	<u>100%</u>

**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 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 is in compliance 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.

**NOTE M – SUBSEQUENT EVENTS**

COVID-19 Pandemic

On March 11, 2020, the World Health Organization declared COVID-19 a pandemic. On March 13, 2020, the President of the United States declared a national emergency to confront the potential public health crisis. Due to the current uncertainties surrounding COVID-19, the Clinic is unable to determine all the short or long-term impacts of the public health crisis on its operations and financial statements.

COVID-19 Federal Grants

The Clinic was awarded multiple federal grants to assist the Clinic during the COVID-19 pandemic. The Clinic was awarded \$51,029 under the FY 2020 Coronavirus Supplemental Funding for Health Centers Program (CFDA 93.224). The Clinic was awarded \$514,925 under the Health Center Coronavirus Aid, Relief, and Economic Security (CARES) Act (CFDA 93.224). Lastly, the Clinic was awarded \$110,329 under the FY 2020 Expanding Capacity for Coronavirus Testing (ECT) Program (CFDA 93.224).

**AUDUBON AREA COMMUNITY CARE CLINIC, INC.**  
**Notes to the Financial Statements**  
**March 31, 2020 and 2019**

**NOTE M – SUBSEQUENT EVENTS (continued)**

The Clinic did not have any other subsequent events through December 3, 2020, 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, 2020.

## **SUPPLEMENTARY INFORMATION**

**AUDUBON AREA COMMUNITY CARE CLINIC, INC.**  
**Health Center Program**  
**Contract Number H80CS30714**  
**Schedule of Grant Activity**  
**For the Period April 1, 2019 through March 31, 2020**

**REVENUES**

Grant revenue	\$ 794,545
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<b>TOTAL REVENUES</b>	<u>794,545</u>
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**EXPENSES**

Bank fees	892
Contract services	203,321
Dues and subscriptions	3,744
Education and training	974
Equipment	4,756
Insurance	14,506
Miscellaneous	3,617
Patient assistance	96
Printing and copying costs	2,754
Medical office lease	39,791
Professional fees	19,336
Repairs and maintenance	753
Salaries and fringes	449,558
Supplies	20,280
Travel	3,868
Utilities	<u>26,299</u>

<b>TOTAL EXPENSES</b>	<u>794,545</u>
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<b>REVENUE OVER (UNDER) EXPENSES</b>	<u><u>\$ -</u></u>
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**AUDUBON AREA COMMUNITY CARE CLINIC, INC.**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended March 31, 2020**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Project Number</u>	<u>Expenditures</u>	<u>Passed Through to Subrecipients</u>
<b><u>U.S. Department of Health and Human Services</u></b>				
<i>Direct:</i>				
Health Center Program	93.224	H80CS30714	\$ 794,545	\$ -
<b>TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			<u>794,545</u>	<u>-</u>
<b>TOTAL FEDERAL FINANCIAL ASSISTANCE</b>			<u><u>\$ 794,545</u></u>	<u><u>\$ -</u></u>

**AUDUBON AREA COMMUNITY CARE CLINIC, INC.**  
**Notes to Schedule of Expenditures of Federal Awards**  
**Year Ended March 31, 2020**

**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, 2020. 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**

- (1) 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.
- (2) Pass-through entity identifying numbers are presented where available.

**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 balance sheet as of March 31, 2020, and the related statements operations and cash flows for the year ended, and the related notes to the financial statements, and have issued our report thereon dated December 3, 2020.

**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) to determine the 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 may exist that have not been identified.

**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 determination of financial statement amounts. 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.

A handwritten signature in black ink that reads "Altaden & Company CPAs PSC". The signature is written in a cursive, flowing style.

Owensboro, Kentucky  
December 3, 2020





## **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**

We have audited Audubon Area Community Care Clinic, Inc.'s compliance with the types of compliance requirements described 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, 2020. 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.

#### ***Management's Responsibility***

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

#### ***Auditors' Responsibility***

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Audubon Area Community Care Clinic, Inc.'s compliance.

#### ***Opinion on Each Major Federal Program***

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, 2020.

### **Report on Internal Control Over Compliance**

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

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

*Altaden & Company CPAs PSC*

Owensboro, Kentucky  
December 3, 2020

**AUDUBON AREA COMMUNITY CARE CLINIC, INC.**  
**Schedule of Findings and Questioned Costs**  
**March 31, 2020**

**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 were disclosed during the audit of the financial statements or 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*. No material weaknesses are reported.
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:

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

**FINDINGS – FINANCIAL STATEMENT AUDIT**

None

**FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT**

None