



# **Anchorage Neighborhood Health Center, Inc.**

## **Financial Statements and Supplementary Information**

**Years Ended June 30, 2019 and 2018  
(With Independent Auditor's Report Thereon)**

**Anchorage Neighborhood Health Center, Inc.**

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Financial Statements and Supplementary Information  
Years Ended June 30, 2019 and 2018

(With Independent Auditor's Report Thereon)

# Anchorage Neighborhood Health Center, Inc.

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## **Independent Auditor's Report**

Board of Directors  
Anchorage Neighborhood Health Center, Inc.  
Anchorage, Alaska

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

We have audited the accompanying financial statements of Anchorage Neighborhood Health Center, Inc. (ANHC), which comprise the statements of financial position as of June 30, 2019 and 2018, the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

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

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

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of ANHC as of June 30, 2019 and 2018, 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.

## **Emphasis of Mater**

As discussed in Note 9 to the financial statements, in 2019, Anchorage Neighborhood Health Center adopted Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information 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 January 28, 2020 on our consideration of ANHC'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 ANHC'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 ANHC's internal control over financial reporting and compliance.

*BDO USA, LLP*

Anchorage, Alaska  
January 28, 2020

## Financial Statements

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# Anchorage Neighborhood Health Center, Inc.

## Statements of Financial Position

June 30,	2019	2018
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents:		
Unrestricted cash	\$ 7,584,483	\$ 8,856,947
Restricted cash	213,393	231,941
<b>Total cash and cash equivalents</b>	<b>7,797,876</b>	<b>9,088,888</b>
Patient accounts receivable, net of allowance for doubtful accounts of \$849,351 for 2019 and \$1,389,674 for 2018 (Note 3)	2,536,421	3,286,809
Receivable from funding agencies	137,288	215,688
Inventory	473,317	419,775
Prepaid expenses and other current assets	139,191	132,671
<b>Total Current Assets</b>	<b>11,084,093</b>	<b>13,143,831</b>
<b>Property and Equipment</b>		
Land and land improvements	4,956,581	4,956,581
Buildings	19,945,236	19,360,514
Equipment and furniture	6,199,495	5,870,052
Construction - work in process	1,983	51,156
<b>Total property and equipment</b>	<b>31,103,295</b>	<b>30,238,303</b>
Less accumulated depreciation	7,626,055	6,724,173
<b>Net Property and Equipment</b>	<b>23,477,240</b>	<b>23,514,130</b>
<b>Total Assets</b>	<b>\$ 34,561,333</b>	<b>\$ 36,657,961</b>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Medicaid refund payable	\$ -	\$ 1,480,640
Accounts payable	435,525	574,649
Accrued payroll and related liabilities	298,777	294,989
Accrued annual leave	472,840	427,060
Deferred revenue	25,000	4,800
<b>Total Current Liabilities</b>	<b>1,232,142</b>	<b>2,782,138</b>
<b>Net Assets</b>		
Without donor restrictions		
Designated:		
Facility replacement	1,232,000	1,232,000
Invested in property and equipment	23,477,242	23,514,132
Operating	7,682,714	7,687,682
Undesignated	937,235	1,434,085
	33,329,191	33,867,899
With donor restrictions (Note 4)	-	7,924
<b>Total Net Assets</b>	<b>33,329,191</b>	<b>33,875,823</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 34,561,333</b>	<b>\$ 36,657,961</b>

*See accompanying notes to financial statements.*

**Anchorage Neighborhood Health Center, Inc.**  
**Statements of Activities**

<i>Years Ended June 30,</i>	2019	2018
<b>Changes in Net Assets Without Donor Restrictions</b>		
Revenue:		
Patient service revenue	\$ 28,210,414	\$ 28,616,844
Contractual allowances and discounts	(13,239,696)	(13,520,600)
Provision for bad debts	(387,375)	(597,613)
Net patient service revenue	14,583,343	14,498,631
Grant revenue	4,616,740	4,724,774
Contract revenue	50,546	29,397
Support:		
Donations	47,903	65,865
Net assets released from restrictions for operations (Note 4)	7,924	2,703
<b>Total revenue and support</b>	<b>19,306,456</b>	<b>19,321,370</b>
Expenses:		
Salaries, wages, and benefits	13,101,608	12,668,110
Supplies	2,855,366	2,635,432
Purchased services	1,192,399	1,188,003
Depreciation	1,034,996	1,019,971
General and administrative	1,256,259	973,677
Occupancy and use	405,551	403,570
Insurance	95,296	104,026
<b>Total expenses</b>	<b>19,941,475</b>	<b>18,992,789</b>
<b>Income (loss) from operations</b>	<b>(635,019)</b>	<b>328,581</b>
Nonoperating support and revenue:		
Medicaid refund	-	(1,112,302)
Net assets released from restriction for capital acquisitions (Note 4)	-	500
Interest income	74,895	27,765
Gain (loss) on disposal of assets	15,397	(79,078)
Other	6,019	430
<b>Total nonoperating support and revenue (expense)</b>	<b>96,311</b>	<b>(1,162,685)</b>
<b>Change in Net Assets Without Donor Restrictions</b>	<b>(538,708)</b>	<b>(834,104)</b>
<b>Change in Net Assets with Donor Restrictions</b>		
Net assets released from restrictions (Note 4)	(7,924)	(3,203)
<b>Change in Net Assets</b>	<b>(546,632)</b>	<b>(837,307)</b>
<b>Net Assets at beginning of year</b>	<b>33,875,823</b>	<b>34,713,130</b>
<b>Net Assets at end of year</b>	<b>\$ 33,329,191</b>	<b>\$ 33,875,823</b>

*See accompanying notes to financial statements.*



## Anchorage Neighborhood Health Center, Inc.

### Statement of Functional Expenses

<i>Year Ended December 31, 2019</i>	Program Services				Supporting Services		Total
	Healthcare Services	Dental Services	Ancillary Services	Outreach and Enrollment	General Administrative	Fundraising	
Personnel	\$ 7,604,957	\$ 1,759,170	\$ 1,584,379	\$ 240,550	\$ 1,912,183	\$ 368	\$ 13,101,607
Contract services	301,805	109,481	712,096	11,086	262,694	107	1,397,269
Supplies	442,872	132,380	2,136,001	6,741	72,069	55	2,790,118
Licensing, dues, and subscriptions	46,533	5,824	16,331	37	34,760	-	103,485
Other program expenses	18,671	4,076	11,345	239	4,803	29	39,163
Repairs and maintenance	54,034	21,993	15,733	932	9,674	109	102,475
Depreciation expense	541,382	210,099	185,375	10,198	87,116	826	1,034,996
Software licensing, maintenance and support	274,889	45,064	63,089	9,013	49,660	-	441,715
Insurance	55,918	14,466	14,196	865	9,719	132	95,296
Travel	42,206	15,925	7,097	620	10,337	-	76,185
Patient transportation	135,249	35,541	-	300	-	-	171,090
Conference registration fees	47,052	7,277	5,409	1,263	16,102	-	77,103
Fundraising and marketing	-	-	-	235	3,484	559	4,278
Staff morale and recruitment costs	52,070	7,669	18,348	1,931	37,548	-	117,566
Meetings	1,349	-	-	-	23,476	-	24,825
Miscellaneous	1,000	164	230	33	35,111	-	36,538
Occupancy	195,155	46,504	48,214	3,644	33,881	368	327,766
<b>Total Expenses</b>	<b>\$ 9,815,142</b>	<b>\$ 2,415,633</b>	<b>\$ 4,817,843</b>	<b>\$ 287,687</b>	<b>\$ 2,602,617</b>	<b>\$ 2,553</b>	<b>\$ 19,941,475</b>

*See accompanying notes to financial statements.*

## Anchorage Neighborhood Health Center, Inc.

### Statement of Functional Expenses

<i>Year Ended December 31, 2018</i>	Program Services				Supporting Services		Total
	Healthcare Services	Dental Services	Ancillary Services	Outreach and Enrollment	General Administrative	Fundraising	
Personnel	\$ 7,477,765	\$ 1,702,890	\$ 1,504,295	\$ 259,614	\$ 1,718,946	\$ 4,600	\$ 12,668,110
Contract services	219,215	84,733	461,459	11,217	244,648	6	1,021,278
Supplies	433,835	156,737	1,968,407	16,100	72,845	57	2,647,981
Licensing, dues, and subscriptions	44,318	2,705	6,843	27	53,656	2	107,551
Other program expenses	30,456	1,120	9,164	55	3,674	-	44,469
Repairs and maintenance	68,896	27,401	17,949	1,262	12,761	144	128,413
Depreciation expense	514,377	216,563	189,322	12,052	86,831	826	1,019,971
Software licensing, maintenance and support	242,724	61,972	62,167	12,911	51,643	-	431,417
Insurance	933	-	-	-	103,093	-	104,026
Travel	35,708	15,765	3,553	3,157	16,775	-	74,958
Patient transportation	137,072	29,503	-	150	-	-	166,725
Conference registration fees	50,354	8,377	5,412	2,245	39,427	-	105,815
Fundraising and marketing	-	-	-	2,100	5,842	396	8,338
Staff morale and recruitment costs	69,836	5,848	8,177	229	38,367	1	122,458
Meetings	739	59	36	7	17,853	-	18,694
Miscellaneous	-	-	-	-	34,234	-	34,234
Occupancy	168,149	43,390	42,464	3,772	30,252	324	288,351
<b>Total Expenses</b>	<b>\$ 9,494,377</b>	<b>\$ 2,357,063</b>	<b>\$ 4,279,248</b>	<b>\$ 324,898</b>	<b>\$ 2,530,847</b>	<b>\$ 6,356</b>	<b>\$ 18,992,789</b>

*See accompanying notes to financial statements.*

## Anchorage Neighborhood Health Center, Inc.

### Statements of Cash Flows

<i>Years Ended June 30,</i>	2019	2018
<b>Cash Flows from Operating Activities</b>		
Cash received from patients and third-party payers	\$ 15,333,731	\$ 14,051,345
Cash received from grantors and contributors for operations	4,813,789	4,674,676
Cash received from other activities	6,019	430
Cash paid to employees and suppliers	(20,518,255)	(17,441,604)
Interest received	74,895	27,765
<b>Net cash from operating activities</b>	<b>(289,821)</b>	<b>1,312,612</b>
<b>Cash Flows for Investing Activities</b>		
Cash paid for acquisition of property and equipment	(1,001,191)	(320,680)
<b>Net Increase in Cash and Cash Equivalents</b>	<b>(1,291,012)</b>	<b>991,932</b>
<b>Cash and Cash Equivalents, beginning of year</b>	<b>9,088,888</b>	<b>8,096,956</b>
<b>Cash and Cash Equivalents, end of year</b>	<b>\$ 7,797,876</b>	<b>\$ 9,088,888</b>
<b>Components of Cash and Cash Equivalents</b>		
Unrestricted cash	\$ 7,584,483	\$ 8,856,947
Restricted cash	213,393	231,941
<b>Total Components of Cash and Cash Equivalents</b>	<b>\$ 7,797,876</b>	<b>\$ 9,088,888</b>
<b>Reconciliation of Change in Net Assets to Net Cash from Operating Activities</b>		
Change in net assets	\$ (546,632)	\$ (837,307)
Adjustments to reconcile change in net assets to cash from operating activities:		
Depreciation	1,034,996	1,019,971
Bad debt expense	387,375	597,613
Loss on disposal of assets	3,085	7,150
Changes in assets and liabilities that from (for) cash:		
Patient accounts receivable	363,013	(1,044,899)
Accounts receivable from funding agencies	78,400	(145,860)
Inventory	(53,542)	(96,595)
Pledged contributions receivable	-	500
Prepaid and other current assets	(6,520)	7,538
Accounts payable and accrued liabilities	(139,124)	327,868
Medicaid refund payable	(1,480,640)	1,480,640
Accrued payroll and related liabilities	3,788	(3,110)
Accrued annual leave	45,780	(897)
Deferred revenue	20,200	-
<b>Net Cash from Operating Activities</b>	<b>\$ (289,821)</b>	<b>\$ 1,312,612</b>

*See accompanying notes to financial statements.*

**Anchorage Neighborhood Health Center, Inc.**  
**Notes to Financial Statements**  
**Years Ended June 30, 2019 and 2018**

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## **1. Organization and Summary of Significant Accounting Policies**

### ***Description of Business***

The Anchorage Neighborhood Health Center, Inc. (ANHC) is a nonprofit corporation organized to provide comprehensive primary medical care, dental care, and related health care services responsive to the needs of the Anchorage community, especially to those persons who may lack access to these services because of financial, language, lifestyle, health status, or cultural barriers. ANHC is a U.S. Public Health Service Act Community Health Center in the State of Alaska and has provided medical services since 1974.

### ***Basis of Presentation***

Financial statement presentation follows the recommendations of the American Institute of Certified Public Accountants in its Audit and Accounting Guide, Health Care Organizations.

In accordance with the Not-for-Profit Entities Topic 958 of the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”), ANHC is required to report information regarding its financial position and activities according to the existence or absence of donor-imposed restrictions.

- Net assets without donor restrictions represent funds available for expenses which are not otherwise limited by donor restrictions.
- Net assets with donor restrictions are those net assets subject to specific donor or grantor-imposed restrictions contingent upon specific performance, or a future event, or a specific passage of time.

### ***Cash and Cash Equivalents***

ANHC considers all highly liquid investments, generally those purchased with an original maturity of three months or less, to be cash equivalents.

### ***Inventory***

Inventory, consisting primarily of medical supplies and pharmaceuticals, is stated at the lower of cost or market. Cost is determined on the first-in, first-out method.

### ***Property and Equipment***

Property acquired is considered to be owned by ANHC. However, the funding sources have a reversionary interest in the property and may determine or restrict use of any proceeds from sale of those assets.

Depreciation of all property and equipment is computed on a straight-line basis over the estimated service lives of the assets, which are 40 years for buildings, 10 to 25 for land improvements, 5 to 10 years for furniture, fixtures, and other equipment, and 3 to 5 years for technological assets. Depreciation on grant-funded assets is not an allowable expenditure for federal grants.

# Anchorage Neighborhood Health Center, Inc.

## Notes to Financial Statements

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### ***Statements of Activities***

For purposes of presentation, transactions deemed by management to be ongoing, major, or central to the provision of health care services are reported as revenues and expenses. Peripheral or incidental transactions are reported as nonoperating gains or losses.

### ***Net Patient Service Revenue***

Net patient service revenues are recorded at the invoiced amount net of any sliding fee discounts which are known at the time of service. Third-party net patient service revenues are recorded at the invoiced amount net of any contractual adjustments arising from Medicare and Medicaid Federally Qualified Health Center (FQHC) prospective rates known at the time of service. Private insurance third-party net patient service revenues are recorded at the invoiced amount as the contractual adjustment is not known at the time of service but at the time of payment.

The allowance for doubtful accounts and contractual allowances is ANHC's best estimate of the amount of probable credit losses in existing accounts receivable from patients and third-party payers, respectively. ANHC determines the allowance based on its historical write-off and contractual adjustments experience and current economic conditions and contractual provisions for each pool of receivables. ANHC reviews its allowance for doubtful accounts monthly. All account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote.

### ***Promises to Give***

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at fair value, which is measured as the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

### ***Grant Revenue***

ANHC is partially funded by grants from the U.S. Department of Health and Human Services. Other funding sources contain local grants, including United Way and the State of Alaska. Grant revenues are recognized in accordance with the terms of the grant agreements. Deferred revenues represent excess of receipts over expenses.

### ***Contributions***

Contributions are recorded as temporarily restricted based on the existence of donor restrictions as to use or time. Upon the satisfaction of these restrictions, either by expending or utilizing the contributions for the restricted purpose or by the passage of time, the contributions are released from restriction and included as a component of unrestricted revenues. Donor restricted contributions including grant awards whose restrictions are met in the same year are reported as unrestricted support.

# Anchorage Neighborhood Health Center, Inc.

## Notes to Financial Statements

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### *Allocation of Expenses*

The costs of the ANHC programs and supporting services have been reported on a functional basis in the Statement of Functional Expenses. Expenses are charged to each program based on direct expenses incurred. The financial statements report certain categories of expenses that are attributable to one or more program or supporting functions of ANHC. Those expenses include depreciation and amortization, the administrative office, communications, accounting, finance, administration information technology, human resources, and facilities departments. These expenses are allocated based on square footage of the administrative offices, except for information technology and human resources which are allocated based on the number of staff.

### *Income Taxes*

ANHC is a nonprofit organization as described under Section 501(c)(3) of the Internal Revenue Code (Code), and is exempt from federal income taxes under Section 501(a) of the Code. ANHC applies the provisions of Topic 740 of the FASB Accounting Standards Codification (ASC) relating to accounting for uncertainty in income taxes and annually reviews its positions taken in accordance with the recognition standards. ANHC believes that it has no uncertain tax positions which require disclosure in or adjustment to these financial statements.

### *Use of Estimates*

Management uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. 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 assumed in preparing the financial statements. Significant estimates include the allowance for doubtful accounts (note 3).

### *Fair Value Measurements*

FASB ASC 820, *Fair Value Measurements and Disclosures*, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value.

Included in investment related line items in the financial statements are certain financial instruments carried at fair value. Other financial instruments are periodically measured at fair value, such as when impaired.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, that is, other than in a forced liquidation or distress sale.

ANHC'S financial assets and liabilities carried at fair value have been classified based on a hierarchy defined by ASC 820. The hierarchy gives the highest ranking to fair values determined using unadjusted quoted prices in active markets for identical assets and liabilities (Level 1) and the lowest ranking to fair values determined using methodologies and models with unobservable inputs (Level 3). An asset's or a liability's classification is based on the lowest level input that is significant to its measurement. For example, a Level 3 fair value measurement may include inputs that are both observable (Levels 1 and 2) and unobservable (Level 3). The levels of the fair value hierarchy are as follows:

# Anchorage Neighborhood Health Center, Inc.

## Notes to Financial Statements

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*Level 1* - Values are unadjusted quoted prices for identical assets and liabilities in active markets accessible at the measurement date.

*Level 2* - Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices.

*Level 3* - Level 3 inputs are unobservable inputs for the asset or liability. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

### Subsequent Events

Management has evaluated subsequent events through January 28, 2020, the date on which the financial statements were available to be issued.

## 2. Cash and Cash Equivalents

As of June 30, 2019 and 2018, cash and cash equivalents consisted of the following:

<i>June 30, 2019</i>	Book Balance	Bank Balance
Cash accounts	\$ 7,581,033	\$ 7,619,545
Petty cash	3,450	-
Cash at 501(c) Agencies Trust	213,393	213,393
	<u>\$ 7,797,876</u>	<u>\$ 7,832,938</u>

<i>June 30, 2018</i>	Book Balance	Bank Balance
Cash accounts	\$ 8,872,280	\$ 8,924,517
Petty cash	3,450	-
Cash at 501(c) Agencies Trust	213,158	213,158
	<u>\$ 9,088,888</u>	<u>\$ 9,137,675</u>

As of June 30, 2019 and 2018, restricted cash and cash equivalents consisted of the following:

<i>June 30,</i>	2019	2018
Cafeteria plan	\$ 18,637	\$ 18,783
Cash at 501(c) Agencies Trust	213,393	213,158
	<u>\$ 232,030</u>	<u>\$ 231,941</u>

# Anchorage Neighborhood Health Center, Inc.

## Notes to Financial Statements

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The cash accounts maintained by the Federal Deposit Insurance Corporation (FDIC) insured institutions are insured by the FDIC for up to \$250,000 per financial institution. All federal credit unions and the vast majority of state-chartered credit unions are covered by NCUSIF insurance protection up to \$250,000. At June 30, 2019, \$750,026 of ANHC's funds were insured by FDIC and NCUSIF. The bank balances exceeded insured and collateralized amounts by \$7,086,362. At June 30, 2018, \$5,017,493 of ANHC's funds were insured by FDIC and NCUSIF. The bank balances exceeded insured and collateralized amounts by \$4,123,633.

501(c) Agencies Trust is a national organization that manages and invests funds of nonprofits that chose to opt out of the State unemployment insurance (SUI) and reimburse the state for unemployment claims instead of paying the state unemployment taxes. The funds that ANHC has with the 501(c) Agencies Trust are considered to be restricted for the purpose of paying out future claims.

### 3. Accounts Receivable

#### *Patient Accounts Receivable*

Patient accounts receivable by payer source consists of the following:

<i>June 30,</i>	2019	2018
Medicaid	\$ 1,607,948	\$ 2,274,618
Medicare	392,669	263,290
Insurance	714,510	1,423,773
Patient self-pay	670,645	714,802
	3,385,772	4,676,483
Less allowances for contractual adjustments and doubtful accounts	849,351	1,389,674
	\$ 2,536,421	\$ 3,286,809

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#### *Third-Party Settlements Receivable/Payable*

ANHC's status as a federally funded Community Health Center makes it eligible for cost-based reimbursement for Medicare and Medicaid, and for consideration as a Federally Qualified Health Center (FQHC). The State of Alaska utilizes provisional rates for Medicaid reimbursements. ANHC's encounters reported to the State of Alaska for Medicaid reimbursement are subject to audit under the prospective payment system. Any disallowed encounter, including encounters that have been billed and collected, would become a liability of ANHC. The amount, if any, of adjustments to Medicaid revenue resulting from disallowed encounters during State of Alaska audits cannot be determined at this time. ANHC expects such disallowances, if any, to be immaterial.



# Anchorage Neighborhood Health Center, Inc.

## Notes to Financial Statements

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### 4. Net Assets with Donor Restrictions

Net assets with donor restrictions as of June 30, 2018 consist primarily from Providence for wellness programs. Net assets were released from donor restrictions by satisfying the time and/or use restriction for the contributions. Net assets with donor restrictions consisted of the following at June 30:

	Providence Wellness	Capital Campaign Pledges	Total
<b>June 30, 2018</b>	\$ 7,924	\$ -	\$ 7,924
Net assets released from restrictions	7,924	-	7,924
<b>June 30, 2019</b>	\$ -	\$ -	\$ -

### 5. Employee Benefit Plans

Through June 30, 2005, ANHC had a Simplified Employee Pension Plan, which covered substantially all employees who worked three of the preceding five calendar years. Contributions were discretionary upon Board approval. ANHC sponsors a 403(b) plan in which it contributes 2% of employees' eligible wages. In addition, ANHC makes a matching contribution of one-half of employees' voluntary contributions up to 1% of employees' eligible wages. ANHC paid contributions to the plan of \$226,605 and \$223,904 for 2019 and 2018, respectively.

### 6. Charity Care

ANHC provides care to patients on a sliding fee basis. Sliding fee discounts are determined based on household size and gross monthly income according to the federal poverty guidelines. ANHC also provides services to the homeless and performs certain case management services on a charity care basis. ANHC management does not expect payment for these discounts, they are included in revenue and discounted with the contractual allowance. ANHC provided approximately \$4,650,244 and \$5,030,128 of charity care, when measured at ANHC's established rates for the years ended June 30, 2019 and 2018, respectively.

### 7. Liquidity and Availability of Resources

ANHC's financial assets available within one year of the statement of financial position date for general expenditures are as follows:

Cash and cash equivalents - unrestricted	\$ 2,885,404
Accounts receivable, net of allowance for doubtful accounts	2,536,421
Receivables from funding agencies	137,288
Short-term investments	4,680,442
	<hr/>
	\$ 10,239,555

# Anchorage Neighborhood Health Center, Inc.

## Notes to Financial Statements

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ANHC has \$10,239,555 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures consisting of cash and cash equivalents-unrestricted of \$2,885,404, accounts receivable of \$2,536,421, receivables from funding agencies of \$137,288, and short-investments of \$4,680,442. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditures within one year of the statement of financial position. ANHC has a goal to maintain financial assets, which consist of mainly cash and short-term investments, on hand to meet 60 days of normal operating expense. ANHC has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. In addition, as part of its liquidity management, ANHC invests cash in excess of daily requirements in various short-term investments, including interest bearing money market accounts, certificates of deposit and short-term treasury instruments.

### **8. Contingencies**

#### ***Grant Expenditures***

Accounts received or receivable from grantors are subject to audit and adjustment by the grantor agencies or their representatives. Any disallowed claims, including amounts already collected, would become a liability of ANHC. The amount, if any, of expenses which may be disallowed by the granting agencies cannot be determined at this time although ANHC expects such disallowances, if any, to be immaterial.

#### ***Malpractice Coverage***

Effective June 23, 1996, the Bureau of Primary Health Care (BPHC), in accordance with Section 224(h) of the Public Health Service (PHS) Act, 42 U.S.C. 23(h) as amended by the Federally Supported Health Centers Assistance Act of 1995, was deemed to be an employee of the Federal Government for the purposes of providing liability protection under the Federal Tort Claims Act (FTCA). Section 224(a) provides liability protection under FTCA (FTCA coverage) for damage for personal injury, including death, resulting from the performance of medical, surgical, dental and related functions. This FTCA coverage is applicable to deemed entities, including their officers, governing board members, employees and contractors who are physicians or other licensed or certified health care practitioners providing family practice, general internal medicine, general pediatrics or obstetrical/gynecological services. ANHC was deemed an entity subject to such FTCA coverage in July 1996. FTCA coverage is comparable to an "occurrence" policy without a monetary cap.

ANHC periodically provides certain services off-site that are not considered covered under the FTCA. Accordingly, ANHC has obtained additional professional liability coverage for any claims outside the coverage and scope of the FTCA. Professional liability coverage is limited to \$1,000,000 per each claim and \$1,000,000 in the aggregate for all claims.

#### ***Medicaid Repayment***

In 2018, ANHC was subject to an audit of their Medicaid billings for the period January 1, 2013 through September 30, 2013. Subsequent to the audit, ANHC conducted a thorough review of its billing practices for the period October 1, 2013 through June 30, 2018 and voluntarily determined that a refund in the amount of \$1,480,640 was due to the State of Alaska Medicaid Program. This amount is included in the statement of financial position as Medicaid refund payable as of June 30, 2018 and was paid in full as of June 30, 2019.

# Anchorage Neighborhood Health Center, Inc.

## Notes to Financial Statements

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### 9. Recently Adopted Accounting Standards

On August 18, 2016, the Financial Accounting Standards Board (“FASB”) Accounting Standards Update (ASU) 2016-14, *Not-for-Profit-Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and the availability of resources, and the lack of consistency in the type of information provided about expenses and investment returns. ANHC implemented ASU No. 2016-14 during the year ended June 30, 2019 and has applied this update retrospectively to all periods presented.

## Supplementary Information

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**Anchorage Neighborhood Health Center, Inc.**

**State of Alaska, Department of Health and Social Services Programs  
Community Health Centers - Senior Access Program - Contract No. 601-276-18003  
Schedule of Expenditures - Budget and Actual**

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<i>Year Ended June 30, 2019</i>	Budget	Actual	Variance
<b>Expenditures</b>			
Personal services	\$ 150,600	\$ 150,600	\$ -
Supplies	2,796	2,796	-
<b>Total Expenditures</b>	<b>\$ 153,396</b>	<b>\$ 153,396</b>	<b>\$ -</b>

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# **Anchorage Neighborhood Health Center, Inc.**

**Federal Financial Assistance Reports  
Year Ended June 30, 2019**

**Anchorage Neighborhood Health Center, Inc.**

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Federal Financial Assistance Reports  
Year Ended June 30, 2019

# Anchorage Neighborhood Health Center, Inc.

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## **Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards***

Board of Directors  
Anchorage Neighborhood Health Center, Inc.  
Anchorage, Alaska

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 Anchorage Neighborhood Health Center, Inc. (ANHC), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 28, 2020.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered ANHC'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 ANHC's internal control. Accordingly, we do not express an opinion on the effectiveness of ANHC'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 ANHC'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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*BDO USA, LLP*

Anchorage, Alaska  
January 28, 2020



## **Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

Board of Directors  
Anchorage Neighborhood Health Center, Inc.  
Anchorage, Alaska

### **Report on Compliance for Each Major Federal Program**

We have audited Anchorage Neighborhood Health Center, Inc.'s (ANHC) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of ANHC's major federal programs for the year ended June 30, 2019. ANHC'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.

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of ANHC'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 ANHC'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 ANHC's compliance.

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

In our opinion, ANHC 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 June 30, 2019.

## Report on Internal Control Over Compliance

Management of ANHC 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 ANHC'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 ANHC's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However we did identify a deficiency in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2019-001, that we consider to be a significant deficiency.

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.

## Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of ANHC as of and for the year ended June 30, 2019, and have issued our report thereon dated January 28, 2020, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

*BDO USA, LLP*

Anchorage, Alaska  
January 28, 2020

**Anchorage Neighborhood Health Center, Inc.**  
**Schedule of Expenditures of Federal Awards**  
*Year Ended June 30, 2019*

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Grant Award Number	Pass-Through Entity Identifying Number	Period of Award	Award Amount	Provided to Sub- recipients	Total Federal Expend- itures
<b>U.S. Department of Health and Human Services</b>							
Health Center Program							
FY 2018/2019	93.224	6-H80CS00146-17-05		2/1/2018-1/31/2019	\$ 20,242	\$ -	\$ 156
FY 2018/2019	93.224	6-H80CS00146-17-06		2/1/2018-1/31/2019	1,094,047	-	1,094,047
FY 2019/2020	93.224	6-H80CS00146-18-00		2/1/2019-1/31/2020	1,268,659	-	1,268,659
Total Health Center Program						-	2,362,862
Grants for New and Expanded Services							
Under the Health Center Program							
FY 2018/2019	93.527	6-H80CS00146-17-04		2/1/2018-1/31/2019	624,083	-	4
FY 2018/2019	93.527	6-H80CS00146-17-06		2/1/2018-1/31/2019	1,090,242	-	1,090,242
FY 2018/2019	93.527	6-H80CS00146-17-07		2/1/2018-1/31/2019	51,503	-	44,061
FY 2019/2020	93.527	6-H80CS00146-18-00		2/1/2019-1/31/2020	2,475,837	-	291,439
Total Grants for New and Expanded Services Under the Health Center Program						-	1,425,746
<b>Total Health Center Program Cluster</b>						-	3,788,608
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease							
FY 2018/2019	93.918	6 H76HA00196-28		5/1/2018-4/30/2019	341,669	-	275,610
FY 2019/2020	93.918	6 H76HA00196-29		5/1/2019-4/30/2020	341,669	-	49,827
Total Outpatient Early Intervention Services with Respect to HIV Disease						-	325,437
Passed through the State of Alaska							
Department of Health & Social Services							
HIV Care Formula Grants	93.917		0619-082-B	12/1/2018 - 9/30/2019	95,458	-	12,669
Adult Viral Hepatitis Prevention and Control	93.270		0618-149	8/14-2018 - 10/31/2019	100,000	-	24,493
Passed through the Alaska Primary Care Association							
Cooperative Agreement to Support Navigators in Federally-facilitated Exchanges							
	93.332		NAVCA 150271-0200	9/13/2017-9/12/2018	25,000	-	4,523
Total Cooperative Agreement to Support Navigators in Federally-facilitated Exchanges						-	4,523
<b>Total Expenditures of Federal Awards</b>						<b>\$ -</b>	<b>\$ 4,155,730</b>

*See accompanying notes to the schedule of expenditures of federal awards.*

**Anchorage Neighborhood Health Center, Inc.**  
**Notes to Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2019**

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**1. Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal award activity of Anchorage Neighborhood Health Center, Inc. under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the 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). Because the Schedule presents only a selected portion of the operations of Anchorage Neighborhood Health Center, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Anchorage Neighborhood Health Center, Inc.

**2. 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 the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

**3. Indirect Cost Rate**

Anchorage Neighborhood Health Center, Inc. has elected not to use the 10-percent de minimis indirect rate allowed under the Uniform Guidance.





**Anchorage Neighborhood Health Center, Inc.**  
**Schedule of Findings and Questioned Costs, continued**  
**Year Ended June 30, 2019**

**Section II - Financial Statement Findings Required to be Reported in Accordance with *Government Auditing Standards***

There were no findings related to the financial statements which are required to be reported in accordance with the standards applicable to financial audits contained in *Government Auditing Standards*.

**Section III - Federal Award Findings and Questioned Costs**

Finding 2019-001	Special Tests and Provisions - Significant Deficiency in Internal Control over Compliance
Programs:	Department of Health and Human Services Health Center Program Cluster: CFDA Nos. 93.224/93.527  Grant Numbers: 6-H80CS00146-17-04, 6-H80CS00146-17-05, 6-H80CS00146-17-06 6-H80CS00146-17-07, 6-H80CS00146-18-00
Criteria or specific requirement:	In accordance with the OMB Compliance Supplement special test and provision requirements, health centers must prepare and apply a sliding fee discount schedule (SFDS) so that amounts owed for health center services by eligible patients are adjusted (discounted) based on the patient's ability to pay.
Condition:	The Health Center did not apply the sliding fee discount schedule accurately in all instances.
Cause:	ANHC incorrectly billed patients due to errors by personnel applying the SFDS due to manual tracking of maximum dollar amounts to be billed under the SFDS per date of service and the underlying review of the tracking or by a system generated adjustment being made after a third-party payer was identified and updated after the original sliding fee was calculated.
Effect or Potential Effect:	Certain individuals were billed amounts in excess of the amounts defined in the SFDS.
Questioned Cost:	None
Context:	In 2 out of 40 samples tested had certain services charged at amounts that exceeded the SFDS by a cumulative total of \$101.
Identification as a Repeat Finding:	Not applicable
Recommendation:	We recommend that further processes be put into place to ensure that the sliding fee is accurately applied to all qualifying program participants.
Views of responsible officials and planned corrected actions:	Management concurs with the finding. See corrective action plan.

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**Anchorage Neighborhood Health Center, Inc.'s Single Audit  
Response (Unaudited)**

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4951 Business Park Boulevard Anchorage, AK 99503

ANHC.ORG 743-7200

**Corrective Action Plan  
Year Ended June 30, 2019**

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**ANHC Corrective Action Plan FY2019 Audit Control Finding 2019-001**

**Responsible Person:** Vadette Fowler, CPA

**Corrective Action Plan:**

- The Sliding Fee Discount Program fee structure was revised and approved by the Board of Directors on December 18<sup>th</sup>, 2019 for lab and radiology fees. They are now charged at a flat fee regardless of number of labs or x-rays performed on a single date of service, therefore will no longer require manual tracking of a maximum dollar amount per date of service.
  - **Completion/Effective Date:** January 1, 2020
  
- Until an automated solution is identified, an internal report has been built to identify all encounters where a third-party payer was identified after a sliding fee scale adjustment was applied to the encounter. Billing staff will be trained to read the report, identify errors, and make the appropriate adjustments on a daily basis. In addition, the Billing Supervisor will review all sliding fee scale adjustments applied to charges before closing daily journals.
  - **Completion/Effective Date:** January 3, 2020