

Fair Haven Community Health Clinic, Inc.
Financial Statements
for the Year Ended
June 30, 2019
and Reports of Independent Auditors

FAIR HAVEN COMMUNITY HEALTH CLINIC, INC.

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JUNE 30, 2019**

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VISCONTI AND ASSOCIATES, P.C.
Certified Public Accountants



John J. Visconti, MS, CPA

REPORT I

Independent Auditor's Report

To the Board of Directors
Fair Haven Community Health Clinic, Inc.
374 Grand Avenue
New Haven, Connecticut 06513

ID#: 06-0883545

Report on the Financial Statements

We have audited the accompanying financial statements of Fair Haven Community Health Clinic, Inc. ("the Clinic") (a nonprofit organization), which comprise the statement of financial position as of June 30, 2019 and the related statements of activities, functional expenses and cash flows for the year 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 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Fair Haven Community Health Clinic, Inc. as of June 30, 2019 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United State of America.

Report on Summarized Comparative Information

We have previously audited the organization's June 30, 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 14, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplemental information is presented for purposes of additional analysis and is not a required part of the financial statements. The 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*, ("Uniform Guidance"), is presented for the purpose 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.

As discussed in Note 1 to the financial statements, in 2019 the Clinic adopted the provisions of ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, which constitutes a change in accounting principle. Our audit report is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 7, 2019 on our consideration of Fair Haven Community Health 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 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 Fair Haven Community Health 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 Fair Haven Community Health Clinic, Inc.'s internal control over financial reporting and compliance.

VISCOPTI ; ASSOCIATES, P. C.
October 7, 2019
East Haven, CT

FAIR HAVEN COMMUNITY HEALTH CLINIC, INC.

**STATEMENT OF FINANCIAL POSITION AS OF JUNE 30, 2019
WITH COMPARATIVE TOTALS FOR 2018**

<u>ASSETS</u>	<u>NOTES</u>	<u>2019</u>	<u>(Note 1) (Memorandum Only) 2018</u>
CURRENT ASSETS:			
Cash and cash equivalents		\$ 2,365,772	\$ 2,548,972
Investments – certificates of deposit	5	1,294,489	
Receivables:			
Grants and contracts	3	638,460	494,878
Patient fees, net of allowance for doubtful accounts of \$262,357	4	516,642	700,505
Prepaid expenses		<u>244,020</u>	<u>107,426</u>
Total current assets		<u>5,059,383</u>	<u>3,851,781</u>
Property and equipment:	6	11,421,509	11,055,858
Less: accumulated depreciation		<u>5,449,033</u>	<u>4,830,464</u>
Property and equipment - net		<u>5,972,476</u>	<u>6,225,394</u>
Construction in progress	10	247,176	281,685
Investment in CHN	5,7	<u>83,333</u>	<u>83,333</u>
		<u>330,509</u>	<u>365,018</u>
TOTAL		<u><u>\$ 11,362,368</u></u>	<u><u>\$ 10,442,193</u></u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES:			
Accounts payable		\$ 225,605	\$ 258,224
Accrued liabilities		1,220,602	905,386
Other liabilities	12	19,869	22,092
Long term debt - current portion, net of deferred financing costs	8	19,618	17,251
Deferred revenue	7	<u>395,607</u>	<u>516,364</u>
Total current liabilities		<u>1,881,301</u>	<u>1,719,317</u>
LONG-TERM LIABILITIES:			
Long term debt, net of current portion and deferred financing costs	8	<u>443,620</u>	<u>468,506</u>
Total long term liabilities		<u>443,620</u>	<u>468,506</u>
Total liabilities		<u>2,324,921</u>	<u>2,187,823</u>
NET ASSETS - WITHOUT DONOR RESTRICTIONS		<u>9,037,447</u>	<u>8,254,370</u>
TOTAL		<u><u>\$ 11,362,368</u></u>	<u><u>\$ 10,442,193</u></u>

See notes to financial statements.

FAIR HAVEN COMMUNITY HEALTH CLINIC, INC.

**STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2019
WITH COMPARATIVE TOTALS FOR 2018**

	<u>NOTES</u>	<u>2019</u>	(Note 1) (Memorandum Only) <u>2018</u>
SUPPORT AND REVENUE:			
SUPPORT:			
Grants and contracts		\$ 8,084,682	\$ 7,464,835
Donated services, equipment and space		1,075,663	1,232,784
Women, infants and children food benefits	1, 11	1,369,932	1,375,656
Contributions		93,220	120,169
Interest income		17,004	5,644
340b prescription benefit program		2,749,055	2,355,920
Other		<u>150,021</u>	<u>202,084</u>
Total		13,539,577	12,757,092
REVENUE - patient services, net		<u>9,639,598</u>	<u>9,942,140</u>
Total		<u>23,179,175</u>	<u>22,699,232</u>
EXPENSES:			
Program services		16,882,111	17,224,405
Supporting services - management and general		5,481,423	4,972,095
Fundraising expenses		<u>32,564</u>	<u>44,030</u>
Total		<u>22,396,098</u>	<u>22,240,530</u>
CHANGE IN NET ASSETS		783,077	458,702
NET ASSETS - WITHOUT DONOR RESTRICTIONS			
Beginning of year		<u>8,254,370</u>	<u>7,795,668</u>
End of year		<u>\$ 9,037,447</u>	<u>\$ 8,254,370</u>

See notes to financial statements.

FAIR HAVEN COMMUNITY HEALTH CLINIC, INC.

**STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED JUNE 30, 2019
WITH COMPARATIVE TOTALS FOR 2018**

	SUPPORTING SERVICES			2019	(NOTE 1)
	PROGRAM	MANAGEMENT	FUNDRAISING	TOTAL	(Memorandum
	SERVICES	AND GENERAL			Only)
					2018 TOTAL
Salaries	\$ 9,132,447	\$ 3,732,660	\$ 21,547	\$ 12,886,654	\$ 12,807,406
Consultants	423,398	134,888		558,286	505,261
Donated salaries	264,696			264,696	232,296
Payroll taxes	772,147	315,596	1,822	1,089,565	1,112,237
Employee benefits	1,037,954	424,238	2,449	1,464,641	1,351,024
Donated lab fees	6,950			6,950	335,000
Educational materials	4,325			4,325	1,650
Medical supplies	294,152			294,152	302,386
Donated medical supplies	770,317			770,317	636,638
Insurance	49,075	20,059		69,134	62,879
License and credentialing	23,189			23,189	17,560
Telephone	89,799	36,703		126,502	98,478
Office supplies and expenses	209,316	85,553		294,869	210,932
Bank charges		19,236		19,236	18,867
Conferences and training	32,577	13,314		45,891	22,324
Travel	26,081	10,660		36,741	16,361
Postage	16,306	6,663	38	23,007	27,520
Printing expenses	15,770	6,446		22,216	4,564
Legal, architectural and accounting		141,644		141,644	152,820
Marketing			6,708	6,708	18,293
Equipment maintenance		34,335		34,335	78,391
Vehicle maintenance	2,219			2,219	6,940
Membership fees		27,237		27,237	16,667
Equipment lease		18,774		18,774	18,162
Miscellaneous		26,537		26,537	80,090
R Wh spec.care/emergency funds	23,608			23,608	13,164
Patient transportation	12,087			12,087	5,871
Program supplies	30,216			30,216	12,694
Occupancy costs	536,096	219,116		755,212	574,714
Donated rent	23,922	9,778		33,700	28,850
Interest expense	25,317	10,347		35,664	36,883
Prescription benefit program expense	932,549			932,549	760,173
WIC food benefits	1,369,932			1,369,932	1,375,656
Provision for bad debts	298,584			298,584	734,480
Total	16,423,029	5,293,784	32,564	21,749,377	21,677,231
Amortization	1,154	472		1,626	1,486
Depreciation	457,928	187,167		645,095	561,813
Total	\$ 16,882,111	\$ 5,481,423	\$ 32,564	\$ 22,396,098	\$ 22,240,530

See notes to financial statements.

FAIR HAVEN COMMUNITY HEALTH CLINIC, INC.**STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2019
WITH COMPARATIVE TOTALS FOR 2018**

	2019	(NOTE 1) (Memorandum Only) 2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 783,077	\$ 458,702
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Provision for bad debts	298,584	734,480
Depreciation	645,095	561,813
Amortization	1,626	1,486
Change in operating assets and liabilities:		
Patient receivables	(114,721)	(682,207)
Grant/contracts and other receivables	(143,582)	170,260
Prepaid expenses	(136,594)	89,434
Accounts payable	(32,619)	(44,363)
Accrued liabilities	315,216	40,215
Other liabilities	(2,224)	(4,901)
Deferred revenue	(120,757)	(152,105)
Net cash provided by operating activities	<u>1,493,101</u>	<u>1,172,814</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(1,294,489)	
Purchase of equipment and improvements	<u>(357,668)</u>	<u>(1,035,045)</u>
Net cash used in investing activities	<u>(1,652,157)</u>	<u>(1,035,045)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on long-term debt	<u>(24,144)</u>	<u>(16,921)</u>
Net cash used in financing activities	<u>(24,144)</u>	<u>(16,921)</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(183,200)	120,848
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>2,548,972</u>	<u>2,428,124</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 2,365,772</u>	<u>\$ 2,548,972</u>
SUPPLEMENTAL CASH FLOW INFORMATION:		
Payment of interest	<u>\$ 35,664</u>	<u>\$ 36,883</u>

See notes to financial statements.

FAIR HAVEN COMMUNITY HEALTH CLINIC, INC.

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Operations - Fair Haven Community Health Clinic, Inc. ("the Clinic") (a non-profit organization), was organized in 1971 offering services on a walk-in basis to the Greater New Haven, Connecticut area. Since its inception, the Clinic has opened twelve additional sites, including school-based clinics and a mobile dental van, and expanded its staff to provide more comprehensive care such as community outreach, prenatal, baby care and health education. During fiscal 2019, the dental van was eliminated in favor of providing such services through the use of other portable equipment.

Basis of Presentation – The Clinic adopted the provisions of ASU 2016-14, *Presentation of Financial Statements of Not-For-Profit Entities* (Topic 958), which is effective for fiscal years beginning after December 15, 2017. The fiscal 2018 financial statements have been restated to conform to ASU 2016-14. Among other provisions, the statement reduces the number of classes of net assets from three to two, requires the presentation of expenses in both natural and functional classifications and requires information regarding an entity's liquidity. The types of restrictions are described as follows:

Net assets without donor restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. Included in net assets without donor restrictions are exchange contracts.

Net assets with donor restrictions – Net assets subject to donor (or certain grantor) imposed restrictions. Some donor imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is when the stipulated time has elapsed, when the stipulated purposes for which the resource was restricted has been fulfilled, or both. The Clinic has no net assets with donor restrictions.

Prior Year Information - The financial information presented for 2018 is included to provide a basis for comparison with 2019 and presents summarized totals only. The 2018 amounts are not intended to include all the information necessary for a fair presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such amounts should be read in conjunction with the Clinic's financial statements for the year ended June 30, 2018, from which the comparative totals were derived. Certain 2018 amounts have been reclassified to

conform to the 2019 presentation.

Pharmacy Program – The Clinic participates in Section 340B of the Public Health Service Act (PHS Act), *Limitation on Prices of Drugs Purchased by Covered Entities*. Participation in this program allows the Clinic to purchase pharmaceuticals at discounted rates for prescription to eligible patients. The Clinic has outsourced the administration of this program to commercial pharmacies and records revenue based on the price of the pharmaceuticals dispensed.

Property and Equipment - Land, property and equipment are stated at cost. Depreciation is provided using the straight-line method over the estimated useful lives of the assets which range from 3 to 40 years. Expenditures for maintenance, repairs and improvements which do not significantly extend the useful lives of the assets are charged to earnings. The Clinic's capitalization threshold, effective as of May 17, 2017, is \$5,000.

The Clinic performs a test for impairment whenever events or changes in circumstances indicate that the carrying amount of an individual asset or asset group may not be recoverable. Should projected undiscounted future cash flows be less than the carrying amount of the asset or asset group, an impairment charge reducing the carrying amount to fair value is required. Fair value is determined based on the most appropriate valuation technique, including discounted cash flows.

In connection with federal and state financial assistance, certain capitalized assets are subject to lien by the Federal Government and State of Connecticut.

Revenue and Expense Recognition - Revenue from grants and contracts is recognized ratably over the period of the grant or, for prepayment grants, upon actual expenses incurred. Such grant and contract revenues are treated as without donor restrictions for financial statement presentation because the grant and contract requirements are satisfied in the year in which the revenue is recognized.

Various funding agencies periodically review the Clinic's records. If surplus balances are determined to exist, such agencies may require the Clinic to return any such balances.

In addition, the Clinic administers the Women, Infants and Children Food Benefits Program wherein eligible participants receive vouchers to purchase certain food items. Accordingly, the value of food benefits provided to participants, as determined by the State of Connecticut, is reported as both revenues and expenses on the statement of activities, and as expenditures on the schedule of expenditures of federal awards.

The Clinic also administers vaccines, which are directly provided by the State of Connecticut Department of Public Health ("CT DPH") and also vaccines provided by

the U.S. Department of Public Health passed through CT DPH to the Clinic. The value of the vaccines provided to the patient population is reported as both revenues and expenses on the statement of activities. Since the Clinic is considered a "vaccinating provider" in accordance with the Uniform Guidance and not a grantee or sub-recipient, the amounts provided by the U.S. Department of Public Health are excluded from the federal schedule of expenditures.

Patient Fees - Patient accounts receivable result from the various health care services provided by the Clinic. Patient accounts receivable are reduced by a provision for uncollectible accounts. In evaluating the collectability of patient accounts receivable, the Clinic analyzes and identifies trends for each of its major payer sources of revenue to estimate the appropriate allowance for doubtful accounts.

Management regularly reviews information about its major payer sources of revenue when evaluating the sufficiency of the allowance for doubtful accounts. For receivables associated with services provided to patients with third-party insurance coverage, the Clinic analyzes contractually due amounts and provides an allowance, if necessary. For receivables associated with self-pay patients, including patients with insurance and a deductible and copayment, the Clinic records a provision for uncollectible accounts in the period of service on the basis of past experience of patients unable or unwilling to pay the service fee for which they are financially responsible. The difference between the standard rates and the amounts actually collected after all reasonable collection efforts have been exhausted is charged against the allowance for doubtful accounts. In addition, the Clinic provides a provision for contractual rates for Medicare and commercial insurance patient accounts receivable balances on the basis of past contractual rate discounts.

Charity Care and Community Benefit – The Clinic is open to all patients, regardless of their ability to pay. In the ordinary course of business, the Clinic renders services to patients who are financially unable to pay for healthcare. The Clinic provides care to these patients who meet certain criteria under its sliding fee discount policy without charge or at amounts less than the established rates. Charity care services are computed using a sliding fee scale based on patient income and family size. The Clinic maintains records to identify and monitor the level of sliding fee discount it provides. For uninsured self-pay patients that do not qualify for charity care, 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 significant portion of the Clinic's uninsured patients will be unable or unwilling to pay for the services provided. Thus, the Clinic records a significant provision for uncollectible amounts related to uninsured patients in the period the services are provided.

Contributions – Unconditional contributions are recognized when pledged or received, as applicable, and are considered to be available for unrestricted use unless specifically restricted by the donor. When a donor restriction expires, that is,

when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions received whose restrictions are met in the same period are presented as net assets without donor restrictions. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Donated Services, Supplies, Equipment and Space - Contributions of donated services, supplies, equipment and space are recorded at their fair values in accordance with ASC Topic 958, *Not for Profit Entities*.

Interest Income - Interest earned on nonfederal funds is recorded as income on the accrual basis of accounting. Interest earned on federal funds is not recorded as income, as it is returned to the public health service in compliance with the Uniform Guidance.

Estimated Medical Malpractice and Workers' Compensation Costs – The provision for estimated medical malpractice and workers' compensation claims includes estimates of the ultimate costs for both reported claims and claims incurred but not reported. The Clinic accounts for its insurance claims and related insurance recoveries in accordance with the provisions of FASB ASC 954-450-25-2, *Health Care Entities*, which indicates that health care entities should not net insurance recoveries against related claim liabilities. As of June 30, 2019, the Clinic has not recorded an insurance recoverable or insurance payable.

Cash and Cash Equivalents - For the purpose of reporting cash flows, the Clinic includes any investments with an original maturity of three months or less in cash equivalents.

Allocated Expenses - Functional expenses have been allocated between Clinic programs, fundraising and management and general expenses. The allocations are based on an analysis of personnel costs and space utilized for the related activities.

Concentrations of Credit Risk –

Cash - The Clinic maintains its cash balances in four financial institutions and a sweep deposit account held through a brokerage subject to the FDIC deposit insurance limit of \$250,000. The Clinic's deposits may, at times, exceed federal or other depository insurance limits. The Clinic has not experienced any losses relating to temporarily uninsured cash balances and management believes that the Clinic's deposits are not subject to significant credit risk. At June 30, 2019, the Clinic's uninsured cash balances were approximately \$2,241,000.

Grants and Contracts Receivable - Grants and contracts receivable are supported by contracts with federal and state governments and others and, based on historical experience, management believes these receivables represent negligible credit risk. Accordingly, management has not established an allowance for potential credit loss.

Patient Fee Receivables - Patient fee revenues and receivables are recorded net of contractual and bad debt allowances. Based on historical experience and collections subsequent to year end, management believes the receivables represent negligible credit risk.

Income Taxes - The Clinic is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code. The Internal Revenue Service has determined the Clinic is other than a private foundation.

Management is not aware of any uncertain tax positions taken by the Clinic. Tax years ended June 30, 2016 through June 30, 2019 remain subject to examination by major tax jurisdictions.

Use of Estimates in Financial Statements - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates made by management include contractual and bad debt allowances against patient fee receivables. Actual results could differ from those estimates.

Adoption of New Accounting Standards – In August 2018, the FASB issued ASU 2018-13, *Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement*. The update amends Topic 820, Fair Value Measurement by eliminating the disclosures for transfers between Level 1 and Level 2, the valuation process for Level 3 fair value measurements, the change in unrealized gains and losses for recurring Level 3 fair value measurements held at the end of the reporting period, as well as requiring certain modifications to reporting on Level 3 investments and certain investments reported at net asset value. The ASU also added certain disclosures that are not required for non-public entities. ASU 2018-13 is effective for annual financial statements issued for fiscal years beginning after December 31, 2019. Early adoption is permitted for certain provisions. Management has elected not to early adopt those provisions.

In May 2014, the FASB completed its Revenue Recognition project by issuing ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606), reporting to users of financial statements about the nature, timing, and uncertainty of revenues from contracts with customers, including revenue from grant agreements and contracts.

Among other requirements, the new guidance improves comparability of revenue recognition practices across entities, industries, jurisdictions and capital markets; provides more useful information to users of financial statements through improved disclosure requirements; and simplifies the preparation of financial statements by reducing the number of requirements to which an organization must refer. The new guidance affects any reporting organization, including not-for-profit organizations, that enters into contracts with customers for the transfer of nonfinancial assets unless those contracts are within the scope of other standards (for example, insurance contracts or lease contracts). For nonpublic companies and organizations (including not-for-profits), the new guidance will be required for annual reporting periods beginning after December 31, 2018, and interim and annual periods after those reporting periods. Nonpublic companies and organizations may elect early application. Management has elected not to early adopt ASU 2014-09.

Subsequent Events - ASC Topic 855, *Subsequent Events*, requires disclosure of the date through which subsequent events have been evaluated and whether that date is the date that the financial statements were issued or available to be issued. Management has evaluated subsequent events for potential recognition and disclosure through October 7, 2019, the date the financial statements were available to be issued. Management is not aware of any events, subsequent to the statement of financial position date, which would require additional adjustment to, or disclosure in, the accompanying financial statements.

2. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor and other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

	<u>2019</u>
Cash and cash equivalents	\$2,365,772
Investments	1,294,489
Accounts receivable	<u>1,155,102</u>
Financial assets available to meet cash needs for general expenditures within 1 year	<u>\$4,815,363</u>

As part of the Clinic's liquidity management plan, cash in excess of daily requirements is invested in short-term investments such as CDs and money market funds. While management's intent is to not liquidate the Clinic's investments, should the need arise, the nature of the investments is such, that they could be made readily available for general expenditures.

3. RECEIVABLES FROM GRANTS AND OTHER CONTRACTS

At June 30, 2019, receivables from grants and contracts were as follows:

City of New Haven – School Based Clinics	\$ 67,018
CHCACT – FOCUS	5,812
CHCACT – Medicaid Outreach	5,000
CHCACT – Project ECHO	15,508
CHCACT – PTN	31,030
CT Office of Health Strategy – Preventive Services Initiative	16,015
HHS – 330 Grant	79,301
HHS – HIP	125,829
Yale – Ryan White Part A	19,594
Yale – GRADE	42,398
Yale – Transition CBGA	83,092
Cornell Scott Hill Health Center - Title X	26,885
Women, Infants and Children – Yale/HS	47,047
Women, Infants and Children – Peer Counseling	13,597
Communicare – Latino Behavioral Health	49,509
CFGNH – Healthy Start	9,528
BH Care Consultation	<u>1,297</u>
TOTAL	<u>\$638,460</u>

4. PATIENT FEE RECEIVABLES

At June 30, 2019, patient fee receivables consisted of the following:

Connecticut Department of Social Services Title XIX - Medicaid	\$ 239,578
Private Insurance	105,844
Private Patients	381,124
Medicare	<u>52,453</u>
Total	778,999
Less: Allowance for Doubtful Accounts	<u>(262,357)</u>
Patient Fee Receivables - Net	<u>\$ 516,642</u>

5. FAIR VALUE MEASUREMENTS

The Clinic's investments are reported at fair value in the accompanying statement of financial position.

Fair Value Measurements Using:

<u>June 30, 2019</u>	<u>Fair Value</u>	<u>Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Investments – certificates of deposit	\$1,294,489	\$1,294,489	
Investment in CHN	<u>83,333</u>		<u>\$ 83,333</u>
Total	<u>\$ 1,377,822</u>	<u>\$1,294,489</u>	<u>\$ 83,333</u>

ASC Topic 820, *Fair Value Measurements*, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, and Level 3 inputs have the lowest priority. The Clinic uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Clinic measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. No Level 1 inputs were available to the Clinic, and Level 3 inputs were only used when Level 1 or Level 2 were not available.

Level 2 Fair Value Measurements

These investments, held in accounts at two financial institutions, are certificates of deposit issued by banks across the country that provide for fixed interest with maturities between six months to one year.

Level 3 Fair Value Measurements

The investment in CHN is not actively traded and significant other observable inputs are not available. Thus, the fair value of the investment in CHN is recorded at cost, which approximates fair value. The following table provides further details of the Level 3 fair value measurements.

<u>June 30, 2019</u>	Fair Value Measurements Using Significant Unobservable Inputs (Level 3) <u>Investment in CHN</u>
Beginning balance	\$83,333
Purchases, sales, issuances, and settlements (net)	<u>-</u>
Ending balance	<u><u>\$83,333</u></u>

6. PROPERTY AND EQUIPMENT

At June 30, 2019 property and equipment was as follows:

Land	\$ 212,000
Buildings	6,056,280
Office and medical equipment	2,270,880
Equipment under capital lease	70,916
Leasehold improvements	712,473
Improvements - Bella Vista	56,285
Improvements - Wilbur Cross High School	1,400
Leasehold improvements – East Haven	246,548
Leasehold improvements – 50 Grand	945,562
Leasehold improvements – 50 Grand Dental	709,785
Leasehold improvements – East Haven HS	133,550
Leasehold improvements – East Haven MS	<u>5,830</u>
	11,421,509
Less: Accumulated depreciation	<u>(5,449,033)</u>
Property and Equipment – Net	<u><u>\$ 5,972,476</u></u>

7. INVESTMENT IN CHN

The Clinic contributed \$83,333 for the formation of a Health Maintenance Organization, Community Health Network of Connecticut, Inc. ("CHN") along with eight other members. CHN, a non-stock, not-for-profit Corporation, was formed in order to enable the members to better compete in the Managed Care arena. The contribution agreement includes provisions for the repayment of this contribution at the discretion of CHN. The investment in CHN is accounted for using the cost method, as the Clinic does not exercise significant influence over CHN's operating and financial activities.

The Clinic's Chief Executive Officer is a Board member of CHN. No patient fee revenues were generated from CHN during the year ended June 30, 2019.

8. DEFERRED REVENUES

At June 30, 2019, deferred revenues consisted of the following:

CHN – Environmental Support	\$ 289,355
CHN – F4K Grant	1,127
Community Health Foundation of Greater New Haven	50,000
United Way Circle of Security	10,516
CT OEC - Nurturing Families Network	<u>44,609</u>
 TOTAL	 <u>\$ 395,607</u>

9. LONG-TERM DEBT

In October 2014, the Clinic entered into a \$200,000 mortgage loan with Start Bank, for a fifteen-year term with interest based on a 20 year amortization, payable at 5.00% per annum for the first five years, and based on the then-current Federal Home Loan Bank of Boston 5 Year Classic Advance Rate plus 3.00% thereafter. Monthly payments of principal and interest approximate \$1,320. The loan is secured by certain real estate. The proceeds of this loan were used in part to pay off the remaining balance of a mortgage note due to an individual of approximately \$44,000. At June 30, 2019, the outstanding principal balance was \$170,656. Closing costs related to this loan of \$12,080 were capitalized and are being amortized over the life of the loan, have a carrying value of approximately \$8,389 at June 30, 2019, and are presented as a direct reduction of the related debt.

In July, 2018, the Clinic entered into a mortgage loan with Capital for Change (formerly the Greater New Haven Community Loan Fund, Inc.) in the amount of \$317,217 for a five-year term, with interest based on a 15 year amortization, payable at 6.00% per annum. Monthly payments of principal and interest approximate \$2,675 with a balloon payment of approximately \$243,000 due in August 2023. The loan is

secured by certain real estate. The proceeds of this loan were used to refinance the outstanding balance of a previously existing mortgage loan with the same institution. At June 30, 2019, the outstanding principal balance was \$305,052. Closing costs related to this loan of \$4,901 were capitalized and are being amortized over the life of the loan, have a carrying value of approximately \$4,081 at June 30, 2019, and are presented as a direct reduction of the related debt.

Reconciliation of long-term debt to long-term debt, net of debt issuance costs, is as follows as of June 30, 2019:

	<u>Principal</u>	<u>Net Debt Issuance Costs</u>	<u>Net Principal</u>
Current portion of long-term debt	\$ 21,403	\$ 1,785	\$ 19,618
Long-term debt	<u>454,305</u>	<u>10,685</u>	<u>443,620</u>
	<u>\$ 475,708</u>	<u>\$ 12,470</u>	<u>\$ 463,238</u>

Total maturities of long-term debt as of June 30, 2019 are as follows:

2020	\$ 21,403
2021	22,709
2022	24,042
2023	25,454
2024	253,037
Thereafter	129,063
Total	475,708
Less: current portion	<u>(21,403)</u>
Long-Term portion	<u>\$ 454,305</u>

Interest expense on long-term debt during fiscal year 2019 was approximately \$27,800.

10. LEASES

Operating Leases – The Clinic entered into a three-year lease for two units to house a satellite clinic at a combined rate of \$400 per month commencing March 1, 2016 with annual rate increases of 4%. The lease expired February 28, 2019 and the space continues to be rented on a month-to-month basis at the rate of \$400 per month.

The Clinic entered into a one-year lease, commencing February 1, 2014, for garage space in which to house its dental van, at an annual cost of \$17,400; the first three months at \$1,300 and subsequent months at \$1,500. The lease expired on January 31, 2015 and the Clinic continued to rent the space on a month-to-month basis at the

rate that was in effect at the end of the lease term until a new one-year lease was signed effective February 1, 2017 at an annual cost of \$19,200 (\$1,600 per month). This lease was renewed for an additional year, which expired January 31, 2019 and the space continues to be rented on a month-to-month basis at the rate of \$1,600 per month.

The Clinic entered into a 66-month lease for a new billing system in October 2013. The lease calls for monthly payments of approximately \$550 beginning in the seventh month. No payments were required for the first six months of the lease term. This lease expired in June 2019.

The Clinic leased office equipment from a leasing company for a five-year term commencing in November of 2013 at a monthly cost of approximately \$120. This lease expired in December 2018.

The Clinic leased additional office equipment from a leasing company for a five-year term commencing in July of 2013 at a monthly cost of approximately \$620. This lease expired in July 2018.

The Clinic also leased other office equipment from a leasing company for a five-year term commencing in September of 2017 at a monthly cost of approximately \$680.

The Clinic entered into a ten-year lease, commencing August 29, 2015, for space in which to house a satellite clinic, at an annual cost of \$24,000 for the first two years, at a monthly cost of \$2,000; rising to an annual cost of \$48,000 for the next three years and then to \$54,000 per year for the final five years. In addition, there are two optional five-year renewal periods available upon expiration of the original ten-year lease period. In January, 2017, the parties agreed to amend the lease to expand the premises to include an additional area in the lower level of the same building, with a modified rental schedule effective May 1, 2017 as follows: \$4,918 per month through May 31, 2018, increasing to \$5,709 per month for the next 20 months through January 31, 2020, and then \$6,422 per month for the final five years ending January 31, 2025.

The Clinic entered into a five-year lease, commencing March 1, 2016, for space in which to house a satellite clinic, at an annual cost of \$19,958 for the first two years, at a monthly cost of \$1,663; rising to an annual cost of \$20,353, \$20,763 and \$21,174 in each of the subsequent three years. In addition, there is an optional five-year renewal period available upon expiration of the original five-year lease period.

The Clinic entered into a ten-and-a-half-year lease, commencing April 1, 2019, for space in which to house a satellite clinic which will be operated as a joint venture with another agency and some administrative departments. The lease calls for no rent payments for the first three months, followed by rent of \$10,000 per month for the next three months. Subsequent to that, rent is at an annual cost of \$157,872 for two

years, at a monthly cost of \$13,156; rising to an annual cost of \$171,028, for two years, after which the cost increases to \$184,184, \$188,789, \$193,508, \$198,346 \$203,305 and \$208,387 in each of the subsequent six years. In addition, there are two optional five-year renewal periods available upon expiration of the original ten-and-a-half-year lease period. The lease also calls for the Clinic to make capital reserve escrow deposits of \$500 per month, to be held by the landlord in a segregated bank account, for its use in making any necessary repairs or upgrades to the property, with any remaining balance therein to be returned to the Clinic at the end of the lease term.

Rent expense under all operating leases for the year ended June 30, 2019 was approximately \$272,950.

Minimum future lease payments are as follows:

For the Year Ending June 30:

2020	\$ 339,509
2021	258,986
2022	252,973
2023	249,456
2024	257,962
Thereafter	<u>1,083,337</u>

Total minimum lease payments \$ 2,442,223

11. DONATED SERVICES, EQUIPMENT AND SPACE

Donated services, supplies, equipment and space for the year ended June 30, 2019 consisted of the following:

<u>Donor</u>	<u>Type</u>	<u>Amount</u>
Various volunteers	Clinic salaries	\$ 264,696
Donated medical services	Lab costs	6,950
Donated medical supplies	Vaccines	770,317
Donated food benefits (WIC)	Food benefits	1,369,932
East Haven HS	Rent	7,200
East Haven MS	Rent	2,500
John Martinez School	Rent	6,000
Wilbur Cross High School	Rent	6,000
Fair Haven Middle School	Rent	6,000
Clinton Avenue School	Rent	<u>6,000</u>
TOTAL		<u>\$2,445,595</u>

12. PENSION PLAN

The Clinic provides all eligible employees with a contributory 403(b) tax sheltered annuity plan. The Plan provides for a discretionary employer contribution. For the year ended June 30, 2019, there was no discretionary employer pension contribution accrued.

Subsequent to year-end, Management resolved an obligation, through the Internal Revenue Service's Voluntary Fiduciary Correction Program, for corrective contributions and related lost earnings through June 30, 2019 due to certain compensation having been inadvertently excluded from the calculation of employee contributions to the 403(b) Plan relating to prior years. Approximately \$78,000 of the amounts included in accrued expenses at June 30, 2019 represents this obligation.

Additionally, subsequent to year end, the Board approved an amendment to the 403(b) Plan adding an employer matching provision to the Plan, wherein participating employees will receive a 50% match of their contributions up to the first 4% of their eligible compensation. The match could therefore equal up to 2% of each participating employee's compensation.

13. CONTINGENCIES

The Clinic has received grants and contracts for specific purposes that are subject to review, audit and adjustment by the grantor agencies. Such audits could lead to requests for reimbursement to such agencies for any expenditures or claims disallowed under the terms of the agreements. Based on prior experience, management believes such disallowances, if any, will not be material to the financial statements.

The Clinic is subject to numerous laws and regulations of federal, state and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government health care program participation requirements, and reimbursement for client services. Government activity continues with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers. Violations of these laws and regulations could result in expulsion from government health care programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes the Clinic is in compliance with applicable government laws and regulations. While no known regulatory inquiries are pending, compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time. Management believes that the Clinic is in substantial compliance with current laws and regulations and is not aware of any existing or pending investigations regarding noncompliance.

The Clinic has medical malpractice coverage under the Federal Tort Claims Act ("FTCA"). The FTCA provides malpractice coverage to eligible PHS-supported programs that covers the Clinic and its employees while providing services within the scope of employment included under grant-related activities. The Attorney General, through the U.S. Department of Justice, has the responsibility for the defense of the individual and/or grantee for malpractice cases approved for the FTCA coverage. The Clinic does not maintain gap insurance for claims that are not covered by the FTCA.

The land and building located at 374 Grand Avenue, New Haven, was quit claimed to the Clinic by the State of Connecticut in 1993 subject to an automatic right of reversion which states that should the grantee and its successors and/or assigns use the subject premises for any purpose other than for health care services, then this deed shall automatically become null and void and title in the simple absolute to the subject premises, together with all buildings and improvements situated on said premises, shall automatically revert to the grantor, the State of Connecticut.

The Health Information Technology for Economic and Clinical Health Act (the HITECH Act) was enacted into law on February 17, 2009 as part of the American Recovery and Reinvestment Act of 2009 (ARRA). The HITECH Act includes provisions designed to increase the use of electronic health records by both physicians and hospitals. Beginning with federal fiscal year 2011 and extending through federal fiscal year 2016; eligible physicians participating in the Medicare and Medicaid programs are eligible for reimbursement incentive based on successfully demonstrating meaningful use of its certified Electronic Health Record (EHR) technology. Conversely, those physicians that do not successfully demonstrate meaningful use of EHR technology are subject to reductions in reimbursements beginning in fiscal year 2015.

EHR incentive revenue is recognized when the Clinic is reasonably assured that the EHR meaningful use criteria for the required period of time were met and that the revenue will be received. EHR incentive payment revenue totaling \$42,500 for the year ended June 30, 2019 is included in grants and contracts in the accompanying statement of activities.

The Clinic's attestation of compliance with the meaningful use criteria is subject to audit by the Federal government.

The Clinic is subject to the administrative simplification provisions of HIPAA which require the use of uniform electronic data transmission standards for health care claims and payment transactions submitted or received electronically.

14. RELATED PARTIES

During the year, the Clinic refinanced a loan held by another agency, an officer of which is a member of the Clinic's Board of Directors.

15. SUBSEQUENT EVENTS

Subsequent to year end, the Clinic purchased a building adjacent to some of its other properties for long-term expansion. Because it plans to utilize the property for its current purpose of residential rental property until it is ready to be converted for other uses, the Clinic created a wholly-owned limited liability company (LLC) to hold and operate the property. At June 30, 2019, there was \$5,480 included in prepaid expenses that represents amounts due from the LLC for legal fees and other costs related to the creation of the entity and the purchase of the real estate that it holds. It appears that any income generated from the rental will be subject to unrelated business income taxes (UBTI).

For several years, the Clinic and BHcare, Inc. have been in discussions to create a collaborative site for the provision of fully integrated medical and behavioral health services. Slated for opening in mid-December 2019, Shoreline Family Health Care will offer fully integrated behavioral health and medical services, with the option for more intensive behavioral health services through psychiatric consultation, groups, and Intensive Outpatient Programs (IOPs).

VISCONTI AND ASSOCIATES, P.C.
Certified Public Accountants



John J. Visconti, MS, CPA

REPORT II

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

To the Board of Directors
Fair Haven Community Health Clinic, Inc.
374 Grand Avenue
New Haven, CT 06513

ID#: 06-0883545

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 Fair Haven Community Health Clinic, Inc., (a nonprofit organization), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses and cash flows for the year then ended, and the notes to the financial statements, and have issued our report thereon dated October 7, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Fair Haven Community Health 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 Fair Haven Community Health Clinic, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Fair Haven Community Health 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.

We noted other matters, not considered to be material weaknesses, involving internal controls and operating matters which we have reported to the management of Fair Haven Community Health Clinic, Inc. in a separate letter dated October 7, 2019.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Fair Haven Community Health 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 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.

Visconti Associates, P.C.

October 7, 2019
East Haven, CT



John J. Visconti, MS, CPA

REPORT III

Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance

To the Board of Directors
Fair Haven Community Health Clinic, Inc.
374 Grand Avenue
New Haven, CT 06513

ID#: 06-0883545

Report on Compliance for Each Major Federal Program

We have audited Fair Haven Community Health 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 Fair Haven Community Health Clinic, Inc.'s major federal programs for the year ended June 30, 2019. Fair Haven Community Health 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 (Exhibit I).

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 Fair Haven Community Health 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 Fair Haven Community Health 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 Fair Haven Community Health Clinic, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Fair Haven Community Health 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 June 30, 2019.

Report on Internal Control over Compliance

Management of Fair Haven Community Health 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 Fair Haven Community Health 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 Fair Haven Community Health 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 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.

We noted other matters, not considered to be material weaknesses, involving internal controls and operating matters, which we have reported to the management of Fair Haven Community Health Clinic, Inc. in a separate letter dated October 7, 2019.

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 purpose.

Visconti Associates, P.C.

October 7, 2019
East Haven, CT

FAIR HAVEN COMMUNITY HEALTH CLINIC, INC.

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019**

Federal Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
Direct Programs:			
Health Center Cluster -			
Community Health Center - 330 Grant	93.224		\$4,152,478
Grants for New and Expanded Services under the Health Center Program	93.527		<u>330,795</u>
Subtotal Health Center Cluster			4,483,273
Grants for Capital Development in Health Centers	93.526		125,829
Ryan White Outpatient Early Intervention - Part C	93.918		<u>279,831</u>
Subtotal Direct Programs			<u>4,888,933</u>
DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
Pass through Programs from:			
Agency on Aging of South Central Connecticut – Aging Cluster - Special Programs for the Aging – Title III, Part B, Grants for Supportive Services and Senior Centers	93.044		5,757
CT Department of Public Health – Improving the Health of Americans through Prevention and Management of Diabetes and Heart Disease and Stroke	93.426		500
CT Office of Health Strategy – ACA – State Innovation Models: Funding for Model Design and Model Testing Assistance	93.624	18OHS0007-1	34,155
Cornell Scott Hill Health Center - Title X – Family Planning	93.217	PA-FPH-17-001	116,343
Planned Parenthood of Southern New England - Title X – Family Planning	93.217	A016198-02-00	<u>47,054</u> 163,397
Planned Parenthood of Southern New England - Social Services Block Grant Title XX – Family Planning	93.667	16DSS5001/093-1VG-SBG-1	17,829
Yale University - Ryan White C.A.R.E. ACT Part A – Primary Care	93.914	H89HA00029 (GR107366) (CON-80001189)	67,001
Community Foundation of Greater New Haven - Healthy Start	93.926	H49MC00095-200801513	58,115
Community Health Center Association of CT – ACA-Transforming Clinical Practice Initiative: Practice Transformation Networks	93.638	1L1CMS331459-02-00	146,074

Yale University School of Medicine – GRADE Study	93.847	5U01DK098246-07 (GR103540) (CON-80001554)	188,267
Yale University School of Medicine –Geriatric Workforce enhancement Program – CT Older Adult Collaboration for Health - COACH	93.969	U1QPHP28745	<u>11,086</u>
Subtotal Pass through Programs			<u>692,181</u>
Total U.S. Department of Health and Human Services			<u>5,581,114</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:			
Pass through program from City of New Haven:			
CDBG Entitlement Grants Cluster – Community Development Block Grants	14.218		<u>55,000</u>
Total U.S. Department of Housing and Urban Development			<u>55,000</u>
U.S. DEPARTMENT OF AGRICULTURE:			
Pass through program from CT Department of Public Health:			
Women, Infants and Children passed through the Yale New Haven Hospital /Hospital of St. Raphael	10.557	DPH 2017-0052	265,018
Women, Infants and Children - Food Benefits	10.557		<u>1,369,932</u>
Total U.S. Department of Agriculture			<u>1,634,950</u>
TOTAL			<u>\$7,271,064</u>

See Notes to the Schedule of Federal Awards and Auditor's Report on Supplemental Information.

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Fair Haven Community Health Clinic, 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 the Uniform Guidance. Because the schedule presents only a selected portion of the operations of the Clinic it is not intended to and does not present the financial position, changes in net assets or cash flows of the Clinic.

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.

Pass-through entity identifying numbers are presented where available.

3. INDIRECT COST RATE

The Clinic did not elect use of the 10% minimum indirect cost rate.

4. SUBRECIPIENTS

There were no funds passed through to subrecipients.

5. VACCINES

The Clinic, as a vaccinating provider, received vaccines valued at \$745,233 from the U. S. Department of Public Health that were passed through to the Clinic by the Connecticut Department of Public Health. Per 2CFR Part 200, Appendix XI (Uniform Guidance Compliance Supplement), the Clinic is not considered a grantee or subrecipient, but rather a vaccinating provider (contractor).

Accordingly, the vaccines passed through to the Clinic are not considered to be expenditures under a federal award for purposes of determining audit coverage and reporting by the Clinic.

FAIR HAVEN COMMUNITY HEALTH CLINIC, INC.

**FEDERAL SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

1. SUMMARY OF AUDIT RESULTS

Financial Statements:

Type of auditor's report issued: *Unmodified*

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes none reported
- Noncompliance material to financial statements
noted? yes no

Federal Awards:

Internal control over major programs:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes none reported

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

Any audit findings disclosed that are required to be
reported in accordance with 2 CFR 200.516(a) of
the Uniform Guidance

yes no

Identification of major programs:

<u>Name of Federal Program or Cluster</u>	<u>CFDA#</u>
Health Center Cluster:	
Community Health Center – 330 Grant	93.224
Grants for New and Expanded Services under the Health Center Program	93.527
Dollar threshold used to distinguish between Type A and Type B Program	<u>\$750,000</u>
Auditee qualified as low-risk auditee	<input checked="" type="checkbox"/> yes <input type="checkbox"/> no

I. FINANCIAL STATEMENTS FINDINGS SECTION

No matters were reported.

II. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS SECTION

No matters were reported.

III. DISPOSITION OF PRIOR YEAR FINDINGS

No matters were reported.



John J. Visconti, MS, CPA

REPORT IV

Independent Auditor's Report On Compliance for Each Major State Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of State Financial Assistance Required by the State Single Audit Act

To the Board of Directors
Fair Haven Community Health Clinic, Inc.
374 Grand Avenue
New Haven, Connecticut 06513

ID#: 06-0883545

Report on Compliance for Each Major State Program

We have audited Fair Haven Community Health Clinic, Inc.'s compliance with the types of compliance requirements described in the Office of Policy and Management's *Compliance Supplement* that could have a direct and material effect on each of Fair Haven Community Health Clinic, Inc.'s major state programs for the year ended June 30, 2019. Fair Haven Community Health Clinic, Inc.'s major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. (Exhibit II)

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Fair Haven Community Health Clinic, Inc.'s major state 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 State Single Audit Act. (C.G.S. Sections 4-230 to 4-236). Those standards and the State Single Audit Act 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 state program occurred. An audit includes examining, on a test basis, evidence about Fair Haven Community Health 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 state program. However, our audit does not provide a legal determination of Fair Haven Community Health Clinic, Inc.'s compliance.

Opinion on Each Major State Program

In our opinion, Fair Haven Community Health 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 state programs for the year ended June 30, 2019.

Report on Internal Control over Compliance

Management of Fair Haven Community Health 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 Fair Haven Community Health Clinic, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with the State Single Audit Act, 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 Fair Haven Community Health 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 state 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 state 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 combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state 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.

We noted other matters, not considered to be material weaknesses, involving internal controls and operating matters which we have reported to the management of Fair Haven Community Health Clinic, Inc. in a separate letter dated October 7, 2019.

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 State Single Audit Act. Accordingly, this report is not suitable for any other purpose.

Report on the Schedule of Expenditures of State Financial Assistance Required by the State Single Audit Act

We have audited the financial statements of Fair Haven Community Health Clinic, Inc. as of and for the year ended June 30, 2019 and have issued our report thereon dated October 7, 2019, 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 state financial assistance is presented for purposes of additional analysis as required by the State Single Audit Act 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 state financial assistance is fairly stated in all material respects in relation to the financial statements as a whole.

VISCANTI ; ASSOCIATES, P.C.

October 7, 2019
East Haven, CT

SCHEDULE II

FAIR HAVEN COMMUNITY HEALTH CLINIC, INC.

**SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2019**

State Grantor/ Pass-Through Grantor Program Title	State Grant Program Core-CT Number	Subrecipient Expenditures	Expenditures
DEPARTMENT OF PUBLIC HEALTH:			
School-Based Health Clinics - FHK8 Expansion	11000-DPH48500-17019		\$ 55,354
School-Based Health Clinics - passed through the City of New Haven Department of Education - The Body Shop	11000-DPH48500-17019		<u>197,843</u>
			253,197
Immunization Services – In-kind Vaccines	12004-DPH48500-12563		25,084
DEPARTMENT OF SOCIAL SERVICES:			
Medicaid Outreach – passed through Community Health Center Association of CT	11000-DSS60000-10020		20,000
OFFICE OF EARLY CHILDHOOD:			
Nurturing Families Network	11000-OEC64840-12603		430,317
OFFICE OF POLICY AND MANAGEMENT:			
Non-Profit Grant Program	12052-OPM20830-43574		40,508
DEPARTMENT OF MENTAL HEALTH AND ADDICTION SERVICES:			
Latino Behavioral Health System	11000-MHA53000-12157	<u>\$ 26,000</u>	<u>157,490</u>
TOTAL STATE FINANCIAL ASSISTANCE		<u>\$ 26,000</u>	<u>\$ 926,596</u>

See notes to Schedule and Auditor's Report on Supplemental Information.

FAIR HAVEN COMMUNITY HEALTH CLINIC, INC.

**STATE FINANCIAL ASSISTANCE PROGRAMS
NOTES TO SCHEDULE FOR THE YEAR ENDED JUNE 30, 2019**

The accompanying schedule of expenditures of state financial assistance includes state grant activity of Fair Haven Community Health Clinic, Inc. for the fiscal year ended June 30, 2019. Various departments and agencies of the State of Connecticut have provided financial assistance to the Fair Haven Community Health Clinic, Inc. through grants and other authorizations in accordance with the General Statutes of the State of Connecticut. These financial assistance programs fund several programs including operations and capital expenditures.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Fair Haven Community Health Clinic, Inc. conform to accounting principles generally accepted in the United States of America as applicable to not-for-profit organizations. The following is a summary of the more significant policies relating to the aforementioned grant programs.

Basis of Accounting

The financial statements contained in the Fair Haven Community Health Clinic, Inc.'s annual audit report are prepared on the accrual basis. The following is a summary of such basis:

- . Revenues are recognized when earned.
- . Expenditures are recorded as incurred.

The schedule of expenditures of state financial assistance, contained in this report, is prepared based on regulations established by the State of Connecticut Office of Policy and Management. In accordance with these regulations (Section 4-236-22), certain grants are not dependent on expenditure activity, and accordingly, are considered to be expended in the fiscal year of receipt. These grant program receipts, if applicable, are reflected in the expenditures column of the schedule of expenditures of state financial assistance.

FAIR HAVEN COMMUNITY HEALTH CLINIC, INC.

**STATE SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements:

Type of auditor's report issued: *Unmodified*

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes none reported
- Noncompliance material to financial statements noted? yes no

State Financial Assistance:

Internal control over major programs:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes none reported

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

Any audit findings disclosed that are required to be reported in accordance with Section 4-236-24 of the Regulations to the State Single Audit Act? yes no

The following schedule reflects the major programs included in the audit:

<u>State Grantor and Program</u>	<u>State Core-CT Number</u>	<u>Expenditures</u>
DEPARTMENT OF PUBLIC HEALTH:		
Nurturing Families Network	11000-OEC64840-12603	\$430,317
Latino Behavioral Health System	11000-MHA53000-12157	\$157,490
Dollar threshold used to distinguish between Type A and Type B Program		<u>\$100,000</u>

II. FINANCIAL STATEMENT FINDINGS

No matters were reported.

III. STATE FINANCIAL ASSISTANCE FINDINGS AND QUESTIONED COSTS

No matters were reported.

IV. DISPOSITION OF PRIOR YEAR FINDINGS

No matters were reported.