

OPTIMUS HEALTH CARE, INC.
Financial Statements
for the year ended
June 30, 2019
and Reports of Independent Auditors

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1-2
 <u>FINANCIAL STATEMENTS:</u>	
Consolidated Statements of Financial Position	3
Consolidated Statements of Activities	4
Consolidated Statements of Functional Expenses	5
Consolidated Statements of Cash Flows	6
Notes to Consolidated Financial Statements	7-15
 <u>FEDERAL SUPPLEMENTARY REPORTS:</u>	
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 <i>Government Auditing Standards</i>	16-17
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance in Accordance with the Uniform Guidance	18-19
Schedule of Expenditures of Federal Awards	20
Notes to the Schedule of Expenditures of Federal Awards	21
Schedule of Findings and Questioned Costs	22-23
 <u>STATE SUPPLEMENTARY REPORTS:</u>	
Independent Auditor's Report on Compliance for Each Major State Program and Report on Internal Control Over Compliance Required by the State Single Audit Act	24-25
Schedule of Expenditures of State Financial Assistance	26
Notes to the Schedule of Expenditures of State Financial Assistance	27
Schedule of Findings and Questioned Costs	28

VISCONTI AND ASSOCIATES, P.C.
Certified Public Accountants



John J. Visconti, MS, CPA

Independent Auditor's Report

To the Board of Directors
Optimus Health Care, Inc.
982 East Main Street
Bridgeport, CT 06608

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Optimus Health Care, Inc. (a nonprofit organization), which comprise the consolidated statement of financial position as of June 30, 2019, and the related consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Optimus Health Care, Inc. as of June 30, 2019, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States 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 21, 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 consolidated financial statements as a whole. The supplemental information is prepared for the purpose of additional analysis and is not a required part of the consolidated financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administration Requirements, Cost Principles, and Audit Requirements for Federal Awards*, ("Uniform Guidance") is presented for purposes of additional analysis, and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

As discussed in Note 1 to the financial statements, in 2019 the Organization 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 November 21, 2019, on our consideration of Optimus Health Care, 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 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 Optimus Health Care, Inc.'s internal control over financial reporting and compliance.

Visconti ; Associates, P.C.

November 21, 2019
East Haven, CT

OPTIMUS HEALTH CARE, INC.**CONSOLIDATED STATEMENT OF FINANCIAL POSITION, JUNE 30, 2019
WITH COMPARATIVE TOTALS FOR 2018**

<u>ASSETS</u>	<u>NOTES</u>	<u>2019</u>	(Note 1) Memorandum only) <u>2018</u>
CURRENT ASSETS:			
Cash and cash equivalents	1	2,472,281	\$ 1,736,631
Investments	1, 5	531,257	500,484
Patient accounts receivable, net		3,390,954	2,909,568
Contracts and grants accounts receivable		602,347	710,823
Other receivables		1,992,552	129,858
Prepaid expenses and other current assets		140,765	165,798
Total current assets		<u>9,130,156</u>	<u>6,153,162</u>
Property, plant and equipment:	7	23,406,723	21,813,400
Less accumulated depreciation and amortization		<u>9,810,444</u>	<u>8,691,145</u>
Property, plant and equipment - net		<u>13,596,279</u>	<u>13,122,255</u>
OTHER NON-CURRENT ASSETS:			
Other assets	13	<u>83,333</u>	<u>83,333</u>
Total other non-current assets		<u>83,333</u>	<u>83,333</u>
TOTAL		<u><u>\$ 22,809,768</u></u>	<u><u>\$ 19,358,750</u></u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES:			
Line of credit	8	\$ 492,689	\$ 492,689
Accounts payable		1,176,419	771,047
Accrued liabilities		4,784,325	2,275,732
Refundable advances			35,885
Deferred revenue		329,979	32,070
Notes payable - current portion	8	<u>117,675</u>	<u>101,062</u>
Total current liabilities		<u>6,901,087</u>	<u>3,708,485</u>
LONG-TERM LIABILITIES:			
Notes payable - net of current portion	8	<u>3,600,266</u>	<u>2,995,249</u>
Total liabilities		<u>10,501,353</u>	<u>6,703,734</u>
NET ASSETS - WITHOUT DONOR RESTRICTION		<u>12,308,415</u>	<u>12,655,016</u>
TOTAL		<u><u>\$ 22,809,768</u></u>	<u><u>\$ 19,358,750</u></u>

See notes to financial statements.

OPTIMUS HEALTH CARE, INC.

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

	<u>NOTES</u>	<u>2019</u>	<u>(Note 1 Memorandum only) 2018</u>
SUPPORT AND REVENUE:	3,5		
SUPPORT:			
Patient fees		\$ 29,457,838	\$ 28,099,182
Grant income		11,644,590	11,630,254
Donated vaccines and food		6,289,283	7,379,462
Contracted services		1,848,375	1,499,738
Pharmacy income		2,907,389	2,265,707
Other income		812,615	192,109
Fundraising events		71,491	60,932
Investment income and realized gains, net		<u>23,468</u>	<u>11,917</u>
Total		<u>53,055,049</u>	<u>51,139,301</u>
EXPENSES:			
Program services:			
Medical services		26,856,101	25,590,456
Dental services		3,122,764	2,616,068
Behavioral health services		11,263,885	11,156,306
Pharmacy		789,551	583,798
Supporting services:			
Management and general		<u>11,369,349</u>	<u>11,084,179</u>
Total		<u>53,401,650</u>	<u>51,030,807</u>
CHANGE IN NET ASSETS		(346,601)	108,494
NET ASSETS - WITHOUT DONOR RESTRICTION:			
Beginning of year		<u>12,655,016</u>	<u>12,546,522</u>
End of year		<u>\$ 12,308,415</u>	<u>\$ 12,655,016</u>

See notes to financial statements.

OPTIMUS HEALTH CARE, INC.

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

	MEDICAL SERVICES	DENTAL SERVICES	BEHAVIORAL HEALTH SERVICES	PHARMACY	MANAGEMENT AND GENERAL	2019 TOTAL	(NOTE 1) (Memorandum Only) 2018 TOTAL
Salaries & Wages	\$ 14,596,749	1,803,604	\$ 4,474,929	\$ 91,198	\$ 4,859,846	\$ 25,826,326	\$ 25,426,605
Fringe Benefits	3,891,248	458,739	1,061,618	24,395	1,149,003	6,585,003	6,425,661
Transportation & Travel	51,688	13,158	36,285		44,578	145,709	101,479
Materials & Supplies	2,678,180	319,844	4,549,405	657,184	291,278	8,495,891	9,327,861
Contractual Services	2,342,766	78,667	317,511	12,579	2,024,031	4,775,554	4,082,532
Facilities & Buildings	1,112,994	129,467	476,175	1,751	1,817,069	3,537,456	2,879,450
Insurance	192,541	19,571	37,179	1,234	109,295	359,820	265,883
Equipment	278,967	34,077	50,841	1,210	162,258	527,353	384,880
Recruitment & Advertising	50,000		226		75,657	125,883	131,833
Provision for bad debts	1,167,007	223,175	255,676			1,645,858	650,457
General Administration	50,367	9,262	4,041		193,829	257,499	264,696
Total	26,412,507	3,089,564	11,263,886	789,551	10,726,844	52,282,352	49,941,337
Depreciation	443,594	33,200			642,504	1,119,298	1,089,470
Total	\$ 26,856,101	\$ 3,122,764	\$ 11,263,886	\$ 789,551	\$ 11,369,348	\$ 53,401,650	\$ 51,030,807

See notes to financial statements.

OPTIMUS HEALTH CARE, INC.**CONSOLIDATED 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	\$ (346,601)	\$ 108,494
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,119,298	1,085,470
Unrealized (appreciation) of investments	(38,078)	(3,641)
Provision for bad debts	1,645,858	650,965
Change in operating assets and liabilities:		
Patient receivables	(2,127,244)	(39,711)
Grant receivables	108,476	(216,854)
Other receivables	(1,862,694)	(38,211)
Prepaid expenses and other assets	25,033	(45,934)
Accounts payable	405,372	(735,943)
Accrued liabilities	2,508,593	206,926
Deferred revenue and refundable advances	262,024	(188,272)
Net cash provided by operating activities	<u>1,700,037</u>	<u>783,289</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property, equipment and improvements	(1,593,322)	(257,779)
Purchase of investments	(199,620)	(197,017)
Proceeds on sale of investments	206,925	193,915
Net cash (used in) investing activities	<u>(1,586,017)</u>	<u>(260,881)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from long-term debt	725,000	
Payments on long-term debt	(103,370)	(93,068)
Net cash provided by (used in) financing activities	<u>621,630</u>	<u>(93,068)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	735,650	429,340
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,736,631</u>	<u>1,307,291</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 2,472,281</u>	<u>\$ 1,736,631</u>
SUPPLEMENTAL CASH FLOW INFORMATION:		
Payment of interest	<u>\$ 193,358</u>	<u>\$ 184,989</u>

See notes to financial statements.

OPTIMUS HEALTH CARE, INC.

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Optimus Health Care, Inc.'s mission is to improve the overall health of our communities in Bridgeport, Stamford and Stratford, particularly the medically underserved, by providing preventive, primary care and supplemental health care services along with health education in a culturally sensitive manner regardless of one's ability to pay. Optimus Foundation, Inc. was formed in April 2012 with the intention to fundraise and develop events to support the cause of Optimus Health Care, Inc.

Optimus Health Care, Inc. and Optimus Foundation, Inc. are collectively referred to as Optimus or the Organization.

Optimus Health Care, Inc. is a mature Federally Qualified Health Care Center primarily funded by Health and Human Services. It is the largest provider of primary health care services in Southwestern Connecticut. With more than a dozen Joint Commission on Accreditation of Health Care Organization ("JCAHO") accredited, comprehensive community health centers located in Bridgeport, Stamford and Stratford, Optimus provides complete health care services, regardless of race, income and insurance status.

Founded in 1976, Optimus Health Care, Inc. formerly known as "Bridgeport Community Health Center" was founded by a group of civic-minded individuals committed to the development of a health care facility dedicated to the health of their neighborhood and has been accredited by JCAHO since 1998. Optimus Health Care, Inc. provides a comprehensive model of primary health care services using a "multi-site model".

Consolidation

The accompanying consolidated financial statements include the accounts of Optimus Health Care, Inc. and Optimus Foundation, Inc., an affiliated organization. Intercompany transactions and balances have been eliminated in consolidation.

Basis of Presentation

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (referred to as GAAP) and follow the format required by the *Audits and Accounting of Health Care Entities* issued by the American Institute of Certified Public Accountants.

The Organization 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 Organization has no net assets with donor restrictions.

Prior Year Information

The financial information presented for 2018 in the accompanying financial statements 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 Optimus' financial statements for the year ended June 30, 2018, from which the comparative amounts were derived. Certain 2018 amounts have been reclassified to conform to the 2019 presentation.

Evaluation of Subsequent Events

Management has evaluated subsequent events through November 21, 2019, the date on which the consolidated financial statements were available to be issued.

Income Tax Status

The Organization has received exemption from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Organization has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions as provided in Section 170(b)(1)(a)(vi).

Management has reviewed the Organization's reporting and believes they have not taken tax positions that are more likely than not to be determined to be incorrect by the Internal Revenue Service and therefore no adjustments or disclosures are required.

The Organization's informational returns for fiscal years ended after June 30, 2015 remain open to inspection by major tax jurisdictions.

Estimates

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect certain reported amounts. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the consolidated statements of cash flows, Optimus considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Investments

Investments in marketable equity securities and all debt securities are carried at fair value in the consolidated statements of financial position. Realized and unrealized gains and losses on these investments are reported in the consolidated statements of activities as increases or decreases in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulation or by law.

Allowance for Bad Debts

Patient accounts receivable are stated net of an allowance for doubtful accounts. Optimus estimates the allowance based on the number of days outstanding. The allowance for doubtful accounts for patient accounts receivable was approximately \$7,100,000 at June 30, 2019.

The bad debt expense for the year ended June 30, 2019 was approximately \$1,645,000.

Property and Equipment

Optimus follows the practice of capitalizing all property and equipment with a cost exceeding \$2,500. Depreciation is computed using the straight-line method over the estimated useful lives of the assets with a range in lives from 3 to 35 years. There are no planned major maintenance activities.

If a grant is completed or terminated, assets purchased with grant funds must be returned to the funding agency if requested.

Optimus 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 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.

Contributions

Contributions are recognized when the donor makes a promise that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Allocated Expenses

Expenses by function have been allocated among program and supporting services classifications on the basis of employee records and estimates made by management.

Interest Income

Interest earned on nonfederal funds is recorded as income on the accrual basis of accounting.

Estimated Medical Claims

The provision for estimated medical claims includes estimates of the ultimate costs for both reported claims and claims incurred but not reported. Optimus 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, Optimus has accrued an insurance payable of approximately \$325,000.

Donated Materials, Space and Services

Contributions of donated materials, space and services are recorded at their fair values in the period received.

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.

2. CONCENTRATIONS

The Organization maintains cash balances with various financial institutions. Such deposits at times have exceeded federal depository limits; however, the Organization believes its cash deposits are not subject to significant credit risk. At June 30, 2019, uninsured cash balances at financial institutions approximated \$1,996,075.

A substantial portion of the Organization's revenue is derived from grant contracts. Because the grants are evidenced by signed contracts with government and other agencies, management believes there is nominal credit risk associated with any outstanding grants receivable.

3. 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	\$2,472,281
Investments	531,257
Accounts receivable	3,390,954
Other receivables	<u>1,992,552</u>
Financial assets available to meet cash needs for general expenditures within 1 year	<u>\$8,387,044</u>

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

4. REVENUES

Revenue Recognition

Revenue from prepayment grants and contracts is recognized based upon actual expenses incurred.

Net Patient Service Revenue

Optimus has agreements with third-party payers that provide for payments to Optimus at amounts different from its established rates. Payment arrangements under these agreements include prospectively determined rates per reimbursement costs, discounted charges and per diem payments.

Net patient service revenue is reported at the estimated net realizable amounts from patients, third party payers and others for services rendered.

Optimus has agreements that provide payments as described below.

Charity Care

Optimus's charity care policy is to provide care to all patients regardless of their ability to pay. Charity care services are computed using a sliding fee scale based on patient income and family size. The cost of providing this charity care was approximately \$6,247,012 for the year ended June 30, 2019. The amount of subsidy received for charity care services that were received from grants provided by the Department of Health & Human Services grant, Community Health Center, totaled approximately \$5,276,000 for the year ended June 30, 2019.

Revenue from Contracting Agencies

Optimus participates as a provider of health care services to several Managed Care Organizations (MCO's). Reimbursement for covered services is based on tentative payment rates. Provisions for estimated reimbursement adjustments are reported in the consolidated financial statements in the period that the services are rendered.

Revenue from the Medicare and Medicaid programs accounted for approximately 79% of the Organization's net patient fee services revenue for the fiscal year ended June 30, 2019. Laws and regulations governing these programs are extremely complex and subject to interpretation. The Medicaid rates are based upon a retrospective cost analysis submitted to the State of Connecticut Department of Social Services. Medicare rates are set based upon cost reports and adjusted for various factors as defined in the contracts.

Optimus administers vaccines distributed through the State of Connecticut Department of Public Health ("CT DPH") and also vaccines provided by the U.S. Department of Public Health passed through by CT DPH to Optimus. Accordingly, the value of all the vaccines provided to the patient population is reported as both revenue and expense on the statement of activities. Since Optimus 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 Schedule of Expenditures of Federal Awards.

In addition, Optimus 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 revenue and expense on the statement of activities and as expenditures on the schedule of expenditures of federal awards.

Grants and Contracts

Grants and contracts are agreements in which the grantor or contractor requires expenditures for the performance of specified activities. Optimus records its grant or contract revenue equal to the expenditure of funds in accordance with grant specification. Grant and contract receipts in excess of allowable expenditures are recorded as deferred revenue if the grant extends beyond Optimus' fiscal year and as due to grantor if the grant was completed within the fiscal year.

Contracted Services

Optimus and Stamford Hospital have an agreement in which Optimus employees staff the Subspecialty Clinics. The parties may adjust the monthly fee on a semiannual basis, as necessary to account for any changes. The agreement can be terminated upon occurrence of certain events, including excessive losses on the Clinic's operations, as defined in the agreement with Stamford Hospital.

Stamford Hospital is leasing the site from an unrelated third party. Optimus is subleasing the space under the same terms and conditions, except that the lease would be terminated in the event the operating agreement is terminated. Optimus and Stamford Hospital have an agreement in which Optimus operates the Hospital clinics and provides non-provider support staff to the specialty clinics as well. The lease commitments in Note 10 include the commitments under this sublease.

Other Income

Other income includes quality incentive payments and income related to the meaningful use program and the recovery of revenues. Quality incentive payments are received on behalf of the 330 federal grant and the meaningful use program is an incentive plan for which health care centers receive incentive dollars for achieving certain phases

in implementing electronic medical records. Donations and miscellaneous income are also included in other income.

Pharmacy Program

The Organization 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 Organization to purchase pharmaceuticals at discounted rates for prescription to eligible patients. The Organization has outsourced the administration of this program to commercial pharmacies and records revenue based on the price of the pharmaceuticals dispensed.

Donated Vaccines and WIC

In 2019, Optimus received approximately \$6,289,000 in donated vaccines and food to be distributed during the year.

5. FAIR VALUE MEASUREMENTS

FASB ASC 820, *Fair Value Measurements*, governs the application of accounting principles generally accepted in the United States of America that require fair value measurements of Optimus' assets and liabilities. Fair value as defined in ASC 820 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. ASC 820 established a three tier hierarchy to maximize the use of observable market data and minimize the use of unobservable inputs and to establish classification of fair value measurements for disclosure purposes. Various inputs are used in determining the value of the financial instruments as noted below:

- *Level 1* - quoted prices in active markets for identical inputs.
- *Level 2* - other significant observable inputs.
- *Level 3* - significant unobservable inputs (including Optimus's own assumptions in determining fair value).

6. INVESTMENTS

All investments are available for sale and transfer to support Organization requirements and presented on the consolidated financial statements at fair market value.

Generally accepted accounting principles have determined that short-term and long-term investments traded on the open market (individual stocks, ETF's and mutual funds) are determined by reference to quoted prices of identical instruments generated by active market transactions and are considered to be Level 1 transactions.

Level 1 Quoted Prices In Active Markets

Common Stock	\$250,213
Mutual funds	<u>281,044</u>
Total	<u>\$531,257</u>

7. PROPERTY AND EQUIPMENT

Components of property and equipment are as follows:

Land	\$ 959,019
Buildings and improvements	19,895,401
Furniture, fixtures and equipment	652,915
Computer equipment	1,797,635
Construction in progress	<u>101,753</u>
	23,406,723

Less: accumulated depreciation and amortization	<u>(9,810,444)</u>
Total	<u>\$13,596,279</u>

Depreciation and amortization expense for the year ended June 30, 2019 totaled \$1,119,298.

8. DEBT OBLIGATIONS

Debt obligations at June 30 consist of the following:

Mortgage payable to a bank with a fixed interest rate of 4.67% through August 11, 2019, which will then be adjusted to a fixed rate equal to the bank's 5-year cost of funds rate then in effect plus 2.75% (the revised rate) until the note matures in August 2024, secured by real estate located on East Main Street, Bridgeport, Connecticut and Atlantic Street, Stamford, Connecticut	\$2,832,851
Mortgage payable to a bank with a fixed interest rate of 5.52% through February 1, 2024, which will then be adjusted to a fixed rate equal to the bank's 5-year cost of funds rate then in effect plus 2.75% (the revised rate) until the note matures in March 2029, secured by certain real property and personal property of the borrower	721,942
Commercial Loan Agreement to a bank with a fixed interest rate of 4.93% through March 1, 2022 which will then be adjusted to a fixed rate equal to the bank's 5-year cost of funds rate then in effect plus 2.75% (the revised rate) until the note matures in February 23, 2027, secured by substantially all assets of the corporation	163,148
Less: current portion	<u>(117,675)</u>
	<u>\$3,600,266</u>

Aggregate maturities of long-term borrowings over the next five years and thereafter are as follows:

2020	\$ 117,675
2021	120,646
2022	126,594
2023	133,106
2024	139,022
Thereafter	<u>3,080,899</u>
	<u>\$3,717,942</u>

The terms of certain financing agreements contain, among other provisions, requirements for maintaining defined levels of working capital, net worth, capital expenditures and various financial ratios, including debt to equity.

Interest expense on debt obligations for the year ended June 30, 2019 was approximately \$193,000.

Line of Credit

Optimus maintains a \$1,500,000 line of credit with a bank that calls for interest-only payments due monthly at the bank's prime rate plus 1% (6.50% at June 30, 2019) and which expires on December 31, 2019. The outstanding balance on this line of credit at June 30, 2019 was \$492,689.

9. DEFINED CONTRIBUTION PLAN

Optimus maintains a 403(b) Defined Contribution Plan. The amount contributed to the plan is a fixed percentage of eligible participants' compensation. Pension expense for this plan was approximately \$661,400 for the year ended June 30, 2019.

10. LEASE OBLIGATIONS

Leased facilities

Optimus conducts some of its operations from leased facilities. Lease commitments include leases which expire at various dates through March 2022 as well as certain leases which are on a month-to-month basis. In this and all other leases, management expects that in the normal course of business, leases will be renewed or replaced by other leases. In most of the leases, Optimus is required to pay certain annual operating costs such as maintenance and insurance expenses. Various leases contain restrictions as to the use of the properties and subletting arrangements.

Minimum rental payments due under operating leases for facilities consist of the following.

Year ended June 30:

2020	\$1,299,373
2021	1,074,780
2022	<u>1,066,509</u>
Total	<u>\$3,440,662</u>

Rent expense for the year ended June 30, 2019 approximated \$1,420,000.

Optimus maintains several leases for medical equipment, telephone systems, copiers and fax machines. The copier and fax machine leases require minimum monthly base payments with adjustments for excess usage.

11. MALPRACTICE INSURANCE

As a federally qualified health center, Optimus maintains malpractice insurance under the Federal Tort Claims Act (FTCA). This coverage is applicable to Optimus and their officers, board members, employees and contractors who are physicians, other licensees or certified health care practitioners. The FTCA coverage is on a claims-made basis policy without a monetary cap. As of June 30, 2019, one known malpractice claim has been asserted against the Organization.

12. LITIGATION

Optimus is periodically subject to claims and lawsuits that arise in the normal course of business. Management believes that any financial responsibility that may be incurred in settlement of such claims and lawsuits will be reported when the outcome can be accurately estimated. Management believes that losses resulting from these matters, if any, would not have a material effect on the financial position of the organization. As of June 30, 2019, there weren't any known pending claims against Optimus.

13. RELATED PARTIES

Optimus 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 repayment of this contribution at the discretion of CHN. The investment in CHN, which is reported as other assets, is accounted for using the cost method, as Optimus does not exercise significant influence over CHN's operating and financial activities. Optimus's CEO is a Board member of CHN. There was no patient fee revenue generated from CHN during the year ended June 30, 2019.

Optimus is a fee paying member agency of Community Health Center Association of Connecticut, Inc. ("CHCACT"), a non-profit organization that provides technical and educational assistance to and lobbying support on behalf of its member federally qualified health centers in Connecticut. Optimus's CEO is a Board member of CHCACT. Optimus received payments of grant funding from CHCACT, consisting of pass-through of government awards, totaling \$204,455 during the year ended June 30, 2019.

14. CONTINGENCIES

Optimus 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. In addition, both the federal government and the state of Connecticut are in the process of developing funding policies for community health centers and non-profit organizations. If federal and or Connecticut financial assistance were to significantly decrease, it could have a material adverse effect on the organization.

Optimus 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 Organization 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 Organization is in substantial compliance with current laws and regulations and is not aware of any existing or pending investigations regarding noncompliance.



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
Optimus Health Care, Inc.
982 East Main Street
Bridgeport, CT 06608

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 consolidated financial statements of Optimus Health Care, Inc. (a nonprofit organization), which comprise the consolidated statement of financial position as of June 30, 2019, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated November 21, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered Optimus Health Care, 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 consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Optimus Health Care, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Optimus Health Care, 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 Optimus Health Care, Inc. in a separate letter dated November 21, 2019.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Optimus Health Care, Inc.'s consolidated 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.

November 21, 2019
East Haven, CT



John J. Visconti, MS, CPA

REPORT III

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors
Optimus Health Care, Inc.
982 East Main Street
Bridgeport, CT 06608

Report on Compliance for Each Major Federal Program

We have audited Optimus Health Care, 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 Optimus Health Care, Inc.'s major federal programs for the year ended June 30, 2019. Optimus Health Care, 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 Optimus Health Care, 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 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 Optimus Health Care, 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 Optimus Health Care Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Optimus Health Care, 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 Optimus Health Care, 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 Optimus Health Care, 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 Optimus Health Care, 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 Optimus Health Care, Inc. in a separate letter dated November 21, 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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Visconti; Associates, P.C.

November 21, 2019
East Haven, CT

OPTIMUS HEALTH CARE, INC.

Schedule of Expenditures of Federal Awards

For the year ended June 30, 2019

Federal Grantor Pass-through Grantor Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Sub- Recipients	<u>Expenditures</u>
<u>U.S. Department of Health & Human Service</u>				
Direct Programs:				
Health Center Cluster: Community Health Center- Section 330	93.224			\$5,276,726
Ryan White, Part C: Outpatient Early Intervention Services	93.918			<u>500,522</u>
				5,777,248
Passed-through State of Connecticut Department of Public Health:				
Comprehensive HIV Prevention	93.940	2013-0132		11,465
AIDS Health Care and Support Services	93.917	2017-0105		400,159
School Based Health Services-Maternal Child Health Block Grant	93.994	2017-0077		5,596
Passed-through the Department of Mental Health and Addiction Services:				
Promoting Integrated Care in Connecticut	93.243	H79SM080242		174,078
Passed-through the Greater Bridgeport Adolescent Pregnancy Program:				
Ryan White, Part A - HIV Emergency Relief	93.914	A16-0596		162,440
Passed-through the Office of Health Strategy:				
Prevention Service Initiative for Healthcare Organizations	93.624	18OHS0011		17,691
Passed-through the Community Health Center Association of Connecticut:				
Ryan White, Part D - Women, Infants, Children and Youth	93.153	H12HA24859-04-00		83,912
Transforming Clinical Practices Initiative: Practice Transformation Networks – PTN	93.658	1L1CMS331459-04		233,527
Passed-through Bridgeport Hospital:				
Well-Integrated Screening and Evaluation for Women Across The Nation (WISEWOMAN)	93.094			16,772
Centers for Disease Control and Prevention – Investigations and Technical Assistance	93.283			29,199
<u>U.S. Department of Agriculture</u>				
Passed-through State of Connecticut Department of Public Health:				
Women, Infants and Children - WIC	10.557	2017-0055-0	\$642,480	1,684,174
WIC food benefits (non-cash assistance)	10.557	non-contract	<u> </u>	<u>4,523,883</u>
				6,208,057
Total Expenditures of Federal Awards			<u>\$642,480</u>	<u>\$ 13,120,144</u>

See notes to schedule of expenditures of federal awards and auditor's report on supplemental information.

OPTIMUS HEALTH CARE, INC.

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 Optimus Health Care, 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 Organization it is not intended to and does not present the financial position, changes in net assets or cash flows of the Organization.

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. INSURANCE

The expenditures reported in the attached schedule of expenditures of federal awards includes expenses incurred for general liability, property and crime insurance costs which are allocable as direct expenditures. At June 30, 2019, Optimus Health Care, Inc. had up to \$2,000,000 in general liability coverage. The schedule also indirectly includes bond or officers' and directors' insurance costs through the administrative allocation for each grant.

4. INDIRECT COST RATE

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

5. VACCINES

Optimus, as a vaccinating provider, received vaccines valued at \$1,475,830 from the U.S. Department of Public Health that passed through to Optimus by the Connecticut Department of Public Health. Per the Uniform Guidance, CFR Part 200, Appendix XI Optimus is not considered a grantee or sub-recipient, but rather a vaccinating provider (contractor).

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

EXHIBIT I

OPTIMUS HEALTH CARE, INC.

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

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's opinion issued:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?
- Significant deficiency(ies) identified?

_____ yes x no
_____ yes x none reported
_____ yes x no

Noncompliance material to financial statements noted?

Federal Awards

Internal control over major programs:

- Material weakness(es) identified?
- Significant deficiency(ies) identified?

_____ yes x no
_____ yes x none reported

Type of auditor's opinion 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 x no

Identification of major programs:

CFDA Number

Name of Federal Program or Cluster

93.224

U.S. Department of Agriculture
Community Health Center – Section 330

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee?

 x yes no

SECTION II - FINANCIAL STATEMENT FINDINGS

None.

SECTION III - FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None.

SECTION IV – DISPOSITION OF PRIOR YEAR FINDINGS

None.



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
Optimus Health Care, Inc.
982 East Main Street
Bridgeport, CT 06608

Report on Compliance for Each Major State Program

We have audited Optimus Health Care, 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 Optimus Health Care, Inc.'s major state programs for the year ended June 30, 2019. Optimus Health Care, 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 Optimus Health Care, 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 Optimus Health Care, 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 Optimus Health Care, Inc.'s compliance.

Opinion on Each Major State Program

In our opinion, Optimus Health Care, 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 Optimus Health Care, 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 Optimus Health Care, 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 Optimus Health Care, 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 Optimus Health Care, Inc. in a separate letter dated November 21, 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 Schedule of Expenditures of State Financial Assistance Required by the State Single Audit Act

We have audited the consolidated financial statements of Optimus Health Care, Inc. as of and for the year ended June 30, 2019 and have issued our report thereon dated November 21, 2019, which contained an unmodified opinion on those consolidated financial statements. Our audit was conducted for the purpose of forming an opinion on the consolidated 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 consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

Visconti Associates, P.C.

November 21, 2019
East Haven, CT

OPTIMUS HEALTH CARE, INC.

Schedule of Expenditures of State Financial Assistance

For the year ended June 30, 2019

<u>Grantor; Pass-Through Grantor; Program</u>	<u>State Grant Program CORE - CT Number</u>	<u>Sub-Recipients</u>	<u>Expenditures</u>
<u>Department of Public Health:</u>			
School Based Health Services	11000-DPH48500-17019	\$533,880	\$1,073,320
AIDS Services	12004-DPH48500-12236		102,904
Connecticut Vaccine Program	12004-DPH48500-12563		264,716
Connecticut Vaccine Program – Husky B	12004-DPH48500-90618		20,854
<u>Department of Mental Health and Addiction Services:</u>			
Psychiatric and Mental Health Services	11000-MHA53000-16053		129,814
Grants for Substance Abuse Services	11000-MHA53000-16003		35,978
			165,792
<u>Department of Children & Families:</u>			
Foster Care Clinic	11000-DCF91110-16008		178,275
Outpatient Psychiatric Clinic for Children	11000-DCF91110-16024	185,000	374,861
<u>Department of Social Services:</u>			
Passed-through Community Health Center Association of Connecticut:			
Medicaid Outreach Program	11000-DSS60000-10020		20,000
Total State Financial Assistance		\$718,880	\$2,200,722

See notes to Schedule of Expenditures of State Financial Assistance and auditor's report on supplemental information.

OPTIMUS HEALTH CARE, INC.

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

The accompanying schedule of expenditures of state financial assistance includes state grant activity of Optimus Health Care, Inc. under programs of the State of Connecticut for the fiscal year ended June 30, 2019. Various departments and agencies of the State of Connecticut have provided financial assistance through grants and other authorizations in accordance with the General Statutes of the State of Connecticut. These financial assistance programs fund several programs including medical, dental, behavioral health and wellness programs.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Optimus Health Care, Inc. and affiliated entity conform to accounting principles generally accepted in the United States of America as applicable to not- for-profit organizations.

The information in the schedule of expenditures of state financial assistance is presented based upon regulations established by the State of Connecticut, Office of Policy and Management.

Basis of Accounting

The expenditures reported on the schedule of expenditures of state financial assistance are reported on the accrual basis of accounting. In accordance with Section 4-236-22 of the Regulations to the State Single Audit Act, 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 are reflected in the expenditures column of the schedule of expenditures of state financial assistance.

OPTIMUS HEALTH CARE, INC.

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

1. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's opinion issued: *Unmodified*

Internal control over financial reporting:

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

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

Type of auditor's opinion 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>
<u>Department of Public Health</u>		
School Based Health Services	11000-DPH48500-17019	\$1,073,320
Outpatient Psychiatric Clinic for Children	11000-DCF91110-16024	\$374,861

Dollar threshold used to distinguish between type A and type B programs: \$200,000

2. FINANCIAL STATEMENT FINDINGS

None.

3. STATE FINANCIAL ASSISTANCE FINDINGS AND QUESTIONED COSTS

None.

4. DISPOSITION OF PRIOR YEAR FINDINGS

None.