

**ERIE FAMILY
HEALTH CENTER, INC.**

CONSOLIDATED FINANCIAL STATEMENTS

(Including Single Audit)
June 30, 2019 and 2018

ERIE FAMILY HEALTH CENTER, INC.
Chicago, Illinois

CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2019 and 2018

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Erie Family Health Center, Inc.

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Erie Family Health Center, Inc., which comprise the consolidated balance sheets as of June 30, 2019 and 2018, and the related consolidated statements of operations and changes in net assets and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 consolidated 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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.

(Continued)

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Erie Family Health Center, Inc. as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the consolidated financial statements, Erie Family Health Center, Inc. has adopted ASU 2016-14 - *Not-For-Profit Entities (Topic 958): Presentation of Financial Statements of Not-For-Profit Entities*. Our opinion is not modified with respect to this matter.

Other Matters

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidating balance sheets and statements of operations and changes in net assets are presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, changes in net assets, and cash flows of the individual affiliates, and are 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 (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the 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 other 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2019, on our consideration of Erie Family Health Center, 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 Erie Family Health Center, Inc.'s internal control over financial reporting and compliance.

Crowe LLP

Crowe LLP

Chicago, Illinois
December 5, 2019

ERIE FAMILY HEALTH CENTER, INC.
CONSOLIDATED BALANCE SHEETS
June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 11,593,604	\$ 11,670,781
Patient accounts receivable, net	5,577,615	4,498,594
Grants receivable, net	5,140,168	6,129,508
Other receivables	2,694,035	2,301,058
Prepaid expenses and other current assets	948,823	607,193
Inventory	<u>517,253</u>	<u>518,881</u>
Total current assets	26,471,498	25,726,015
Investments (Note 2)	10,822,807	10,168,614
Equity investments (Note 3)	1,551,664	1,316,607
Notes receivable (Note 5)	9,620,700	9,620,700
Property and equipment, net (Note 6)	<u>20,449,406</u>	<u>19,866,534</u>
	<u>\$ 68,916,075</u>	<u>\$ 66,698,470</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 1,201,994	\$ 829,305
Accrued salaries and wages	2,385,205	2,229,517
Accrued bonus	1,325,585	1,284,242
Other accrued liabilities	1,596,060	1,687,635
Deferred revenue	200,000	200,000
Current portion of long-term debt (Note 5)	<u>868,275</u>	<u>505,311</u>
Total current liabilities	7,577,119	6,736,010
Long term debt (Note 5)	14,587,357	15,604,781
Net assets		
Without donor restrictions	42,669,894	39,070,008
With donor restrictions (Note 11)	<u>4,081,705</u>	<u>5,287,671</u>
Total net assets	<u>46,751,599</u>	<u>44,357,679</u>
	<u>\$ 68,916,075</u>	<u>\$ 66,698,470</u>

See accompanying notes to consolidated financial statements.

ERIE FAMILY HEALTH CENTER, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS
Years ended June 30, 2019 and 2018

	June 30, 2019			June 30, 2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue						
Net patient service revenue	\$ 37,305,667	\$ -	\$ 37,305,667	\$ 33,703,969	\$ -	\$ 33,703,969
Department of Health and Human Services grants	13,011,646	-	\$ 13,011,646	11,969,485	-	11,969,485
Contract services and other grants	13,614,125	4,616,687	\$ 18,230,812	13,585,161	5,916,851	19,502,012
Contribution and other	1,852,709	483,755	\$ 2,336,464	1,157,084	-	1,157,084
Net assets released from restrictions	4,757,830	(4,757,830)	\$ -	5,722,163	(5,722,163)	-
In-kind contributions	200,655	-	\$ 200,655	744,712	-	744,712
Total revenue	<u>70,742,632</u>	<u>342,612</u>	<u>71,085,244</u>	<u>66,882,574</u>	<u>194,688</u>	<u>67,077,262</u>
Expenses						
Salaries	41,434,887	-	41,434,887	38,623,836	-	38,623,836
Benefits and other personnel related	8,074,330	-	8,074,330	7,608,711	-	7,608,711
Pharmaceutical and medical supplies	7,183,249	-	7,183,249	6,718,007	-	6,718,007
Professional and outside services	2,845,680	-	2,845,680	2,694,855	-	2,694,855
Other operating	7,485,472	-	7,485,472	7,031,995	-	7,031,995
Interest	206,915	-	206,915	205,352	-	205,352
Total expenses	<u>67,230,533</u>	<u>-</u>	<u>67,230,533</u>	<u>62,882,756</u>	<u>-</u>	<u>62,882,756</u>
Operating income before depreciation and amortization	3,512,099	342,612	3,854,711	3,999,818	194,688	4,194,506
Depreciation and amortization	<u>2,204,451</u>	<u>-</u>	<u>2,204,451</u>	<u>2,277,311</u>	<u>-</u>	<u>2,277,311</u>
Operating income	1,307,648	342,612	1,650,260	1,722,507	194,688	1,917,195
Capital projects						
Capital projects grants	-	103,394	103,394	-	387,545	387,545
Satisfaction of capital project grant restrictions	<u>1,770,137</u>	<u>(1,770,137)</u>	<u>-</u>	<u>1,017,543</u>	<u>(1,017,543)</u>	<u>-</u>
Total capital projects	1,770,137	(1,666,743)	103,394	1,017,543	(629,998)	387,545
Investment return	<u>522,101</u>	<u>118,165</u>	<u>640,266</u>	<u>185,398</u>	<u>33,722</u>	<u>219,120</u>
Changes in net assets	3,599,886	(1,205,966)	2,393,920	2,925,448	(401,588)	2,523,860
Net assets, beginning of year	<u>39,070,008</u>	<u>5,287,671</u>	<u>44,357,679</u>	<u>36,144,560</u>	<u>5,689,259</u>	<u>41,833,819</u>
Net assets, end of year	<u>\$ 42,669,894</u>	<u>\$ 4,081,705</u>	<u>\$ 46,751,599</u>	<u>\$ 39,070,008</u>	<u>\$ 5,287,671</u>	<u>\$ 44,357,679</u>

See accompanying notes to consolidated financial statements.

ERIE FAMILY HEALTH CENTER, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities		
Change in net assets	\$ 2,393,920	\$ 2,523,860
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	2,204,451	2,277,311
Net realized and unrealized gains	(640,266)	(213,452)
Contributions restricted for capital projects	(103,394)	(387,545)
Changes in operating assets and liabilities		
Patient accounts receivable	(1,077,222)	1,519,100
Grants receivable	989,340	(105,102)
Other receivables	(392,977)	(204,318)
Inventory	1,628	52,010
Accounts payable and accrued expenses	478,145	(52,512)
Deferred revenue	-	200,000
Prepaid expenses and other current assets	(340,002)	(158,388)
Net cash from operating activities	3,513,623	5,450,964
Cash flows from investing activities		
Capital expenditures	(2,712,879)	(3,135,485)
Purchases of investments	(6,598,357)	(10,060,668)
Sales of investments	6,349,373	-
Restricted cash	-	2,000,000
Net cash from investing activities	(2,961,863)	(11,196,153)
Cash flows from financing activities		
Principal payments on debt	(732,331)	(462,465)
Collections of contributions restricted for capital projects	103,394	387,545
Net cash from financing activities	(628,937)	(74,920)
Net change in cash and cash equivalents	(77,177)	(5,820,109)
Cash and cash equivalents at beginning of year	11,670,781	17,490,890
Cash and cash equivalents at end of year	\$ 11,593,604	\$ 11,670,781
Supplemental disclosures of cash flow information		
Cash paid during the year for interest	\$ 206,915	\$ 205,352

See accompanying notes to consolidated financial statements.

NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization: Founded on Erie Street in Chicago in 1957, Erie Family Health Center (EFHC) is a community health resource that provides compassionate primary healthcare services. Serving more than 77,000 patients via approximately 319,000 visits, the EFHC network of 13 service locations at 12 sites in Chicago and the surrounding suburbs includes 7 primary care centers, 5 school-based health centers, and a unique health center that serves only adolescents and young adults. EFHC delivers high-quality, culturally-competent, bilingual, comprehensive primary medical and dental care that responds to the needs of each community. EFHC's highly skilled providers, innovative partnerships, and forward-thinking approach make it a national leader for the provision of community-based healthcare.

The U.S. Department of Health and Human Services (DHHS) provides substantial support to EFHC under its Community Health Center Program. EFHC is obligated under the terms of the DHHS grant to comply with specified conditions and program requirements set forth by the grantor.

Principles of Consolidation: EFHC is the sole corporate member of Erie Title Holding Company (ETHC) and Erie Family Health Foundation (Foundation). ETHC was formed as part of the 2014 New Markets Tax Credit transaction and the Foundation was formed as part of the 2016 New Markets Tax Credit transaction (Note 5).

The accompanying consolidated financial statements include the accounts of EFHC, ETHC, and Foundation. All significant intercompany transactions and balances have been eliminated upon consolidation.

EFHC, ETHC, and Foundation are referred to collectively as "Erie."

Basis of Presentation: The accompanying consolidated financial statements of Erie have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The separate classes of net assets are defined as follows:

Without Donor Restrictions – Amounts that are currently available for use in Erie's operations and for the acquisition of equipment.

With Donor Restrictions – Amounts that are stipulated by donors for specific purposes or that expire with the passage of time. Donor-restricted contributions whose restrictions expire during the same fiscal year are recognized as without donor restrictions. Net assets released from donor restrictions by incurring expenses satisfying the restricted purposes totaled \$4,757,830 and \$5,722,163 for the years ended June 30, 2019 and 2018, respectively. Net assets released from donor restrictions used in capital projects totaled \$1,770,137 and \$1,017,543 for the years ended June 30, 2019 and 2018, respectively.

Some assets are subject to donor-imposed stipulations that they be maintained permanently by Erie. Generally, the donors of these assets permit Erie to use all or part of the investment income earned on these assets. Such assets primarily include Erie's permanent endowment funds.

Use of Estimates: The preparation of consolidated financial statements in conformity with U.S. GAAP 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(Continued)

ERIE FAMILY HEALTH CENTER, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years ended June 30, 2019 and 2018

NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents: Cash and cash equivalents consist of bank deposits in accounts that are federally insured up to \$250,000 and which at times may exceed federally insured limits. Erie has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash. Additionally, for purposes of the consolidated statements of cash flows, Erie considers all highly liquid investments of operating cash purchased with an original maturity of three months or less to be cash equivalents.

Patient Accounts Receivable: The patient accounts receivable balance represents the unpaid amounts billed to patients and third-party payors. Contractual adjustments, discounts, and an allowance for doubtful accounts are recorded to report receivables for services at net realizable value. Past due receivables are determined based on contractual terms. Erie does not accrue interest on any of its accounts receivables.

Allowance for Doubtful Accounts: The allowance for doubtful accounts is determined by management based on Erie's historical losses, specific patient circumstances, and general economic conditions. Periodically, management reviews accounts receivable and adjusts the allowance based on current circumstances and charges off uncollectible receivables when all attempts to collect have failed. Management believes the allowance of \$1,560,112 and \$2,278,824 as of June 30, 2019 and 2018, respectively, is adequate to cover potential losses from doubtful accounts.

Grants Receivable: Erie's grants receivable are comprised primarily of grants and allocations committed from various funding agencies for use in Erie's activities. Grants receivable are expected to be collected within one year and recorded net of allowance. The allowance for doubtful accounts is estimated by Erie based on historical relationships with payers. Erie closely reviews all outstanding grants receivable and follows up on all outstanding amounts.

Inventory: Inventory consists of medical supplies which are valued at the lower of cost or market, with cost determined by the first in, first out (FIFO) method.

Equity Investments: Investments in jointly-owned companies and other investees in which Erie has a 20% to 50% interest or otherwise exercises significant influence are carried at cost, adjusted for Erie's proportionate share of their undistributed earnings or losses (equity method).

Investments: Investments are valued at their fair values in the consolidated balance sheets. Unrealized gains (losses) are included in the change in net assets. See Note 2 for additional information on the nature of Erie's investments.

Notes Receivable: Notes receivable are stated at unpaid principal balances less an allowance for note losses.

Management considers a note impaired when, based on current information or factors (such as payment history, value of collateral, and assessment of the customer's current creditworthiness), it is probable that the principal and interest payments will not be collected according to the note agreement. Management does not consider its note receivable to be impaired.

The carrying amount of notes receivable would be reduced by an allowance for note losses if management, based on its evaluation of the collectability of notes receivable, including the nature of the notes, credit concentrations, trends in historical data, specific impaired notes, economic conditions, and other risks inherent in the notes receivable, deems all or a portion of the notes receivable to be uncollectible. Management believes the notes receivable are fully collectible as of June 30, 2019.

(Continued)

ERIE FAMILY HEALTH CENTER, INC.
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 Years ended June 30, 2019 and 2018

NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment: Property and equipment are recorded at cost and depreciated over their estimated useful lives using the straight-line method. Costs of repairs and maintenance are charged to expense as incurred. Erie's capitalization policy is to capitalize assets with a cost of \$1,000 or more and a useful life of over one year. Depreciation and amortization are computed using the straight-line method based on the estimated useful lives of the assets. The cost of leasehold improvements is amortized using the straight-line method over their useful lives, or the applicable lease term, if shorter.

Impairment of Long-Lived Assets: On an ongoing basis, Erie reviews long-lived assets for impairment whenever events or circumstances indicate that the carrying amounts may be overstated. Erie recognizes impairment losses if the undiscounted cash flows expected to be generated by the asset are less than the carrying value of the related asset. The impairment loss adjusts the assets to fair value. As of June 30, 2019 and 2018, management believes that no impairment existed.

Net Patient Service Revenue: Erie has agreements with third-party payors that provide for payments to Erie at amounts different from its established rates. Payment arrangements include prospectively determined reimbursed costs and discounted charges. Net patient service revenue is reported at the estimated net realizable amounts from patients and third-party payors for services rendered, including estimated retroactive adjustments under reimbursement agreements with certain third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. Management believes that Erie's estimated third-party payor liability is sufficient to cover all amounts owed under current requirements and does not expect significant changes to future financial statements from future regulatory audits (see Note 8). Approximately 81% and 83% of net patient revenue as of June 30, 2019 and 2018, respectively, comes from Medicare and Medicaid programs, including HMOs. Self-pay revenue is recorded at published charges with charitable allowances deducted to arrive at net self-pay revenue. Based on historic experience, a significant portion of Erie's uninsured patients will be unable or unwilling to pay for the services provided. Thus, Erie records a significant provision for bad debts related to uninsured patients in the period the services are provided. Patient service revenue, net of contractual allowances (but before the provision for bad debts), recognized in the period from these major payor sources is as follows:

	<u>Third-party Payors</u>	<u>Self-pay</u>	<u>Total All Payors</u>
2019 patient service revenue, net of contractual provisions	<u>\$ 36,679,734</u>	<u>\$ 625,933</u>	<u>\$ 37,305,667</u>
2018 patient service revenue, net of contractual provisions	<u>\$ 33,219,989</u>	<u>\$ 483,980</u>	<u>\$ 33,703,969</u>

Charity Care: Erie provides charity care to patients at full or partially reduced rates based on certain criteria contained in its sliding scale charity care policy. The sliding scale fee program is based on family income and size and is updated annually based on the published federal poverty levels. The cost of charity care provided was \$11,785,022 and \$7,298,635 for the years ended June 30, 2019 and 2018, respectively. The cost is based upon actual reported Sliding Fee write-offs from the Gross Patient Fee Schedule.

(Continued)

ERIE FAMILY HEALTH CENTER, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years ended June 30, 2019 and 2018

NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Electronic Health Records Payments: The American Recovery and Reinvestment Act of 2009 (ARRA) established funding in order to provide payments to physicians and hospitals that implement the use of electronic health record (EHR) technology by 2014. Erie may receive an incentive payment for up to five years, provided the physicians demonstrates meaningful use of certified EHR technology for the EHR reporting period. The revenue from the incentive payments is recognized ratably over the EHR reporting period when there is reasonable assurance that the physicians will comply with eligibility requirements during the EHR reporting period and an incentive payment will be received. For the years ended June 30, 2019 and 2018, the meaningful use payments were recognized as income within contract services and other grants in the amount of \$773,500 and \$1,253,755, respectively, in the accompanying consolidated statements of operations and changes in net assets.

Contributions: Public support and revenue are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Gains and losses on other assets or liabilities are reported as an increase or decrease in net assets without donor restrictions unless explicit donor stipulation or law restricts their use.

Contributions, including unconditional promises to give and certain grants, are reported as an increase in net assets and recorded when pledged by the donor. All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give and certain grants are recognized when the conditions on which they depend are substantially met. Unconditional promises to give and certain grants due in subsequent years are reported at fair value using risk-free rates applicable to the years in which the promises are to be received.

Revenue from government grants and contracts designated for use in specific activities is recognized in the period when expenditures have been incurred in compliance with the grantor's restrictions. Deferred revenue represents payments received that have not been earned as of the report date. As of June 30, 2019 and 2018, Erie has received conditional grants and contracts from governmental agencies which are not recorded in the consolidated financial statements. These grants and contracts require Erie to provide certain healthcare services or complete certain capital projects during specified periods. If such activities are not completed during the periods, the governmental entities are not obligated to expend funds allotted under the grants and contracts.

In-Kind Contributions: In addition to receiving cash contributions, Erie receives in-kind contributions from various donors. It is Erie's policy to record the estimated fair value of certain in-kind contributions as both revenue and expense for the programs or activities benefited. For the years ending June 30, 2019 and 2018, in-kind contributions totaled \$200,655 and \$744,712, respectively.

Income Taxes: EFHC and Foundation are exempt from income taxes on income from related activities under Section 501(c) (3) of the U.S. Internal Revenue Code and corresponding state tax law. ETHC is a single member limited liability company, and all income is included in the income of the individual member (EFHC). Accordingly, no provision has been made for federal and state income taxes.

A tax position is recognized as a benefit only if it is "more likely than not" that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the "more likely than not" test, no tax benefit is recorded.

The Forms 990 for EFHC and Foundation have not been subject to examination by the Internal Revenue Service or the State of Illinois for the last three years. Erie does not expect the total of unrecognized tax benefits to significantly change in the next 12 months. Erie did not have any amounts accrued or recognized for interest and penalties relating at June 30, 2019 and 2018.

(Continued)

ERIE FAMILY HEALTH CENTER, INC.
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 Years ended June 30, 2019 and 2018

NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Operating Income: The consolidated statements of operations and changes in net assets include operating income as the performance indicator. Changes in net assets without donor restrictions, which are excluded from operating income consistent with industry practice, include capital projects and investment return.

New Accounting Pronouncement: In August 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities* (ASU). The ASU addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses, and investment return. The Organization has adopted the ASU and has adjusted the presentation of these consolidated financial statements accordingly. The ASU has been applied retrospectively to all periods presented, except for functional expense disclosure, as permitted.

Reclassifications: Certain amounts in the 2018 consolidated financial statements have been reclassified to conform with the 2019 presentation. These reclassifications had no effect on total net assets or the change in net assets.

Subsequent Events: The consolidated financial statements and related disclosures include evaluation of events up through and including December 5, 2019, which is the date the consolidated financial statements were available to be issued.

NOTE 2 - INVESTMENTS AND FAIR VALUE MEASUREMENTS

The following is a summary of investments at fair value as of June 30:

	<u>2019</u>	<u>2018</u>
Exchange traded funds – equities	\$ 2,120,814	\$ 310,998
Exchange traded funds – fixed income	45,319	341,900
Mutual funds – equities	5,568,412	5,065,337
Mutual funds – fixed income	2,396,283	1,921,769
Mutual funds - money market	290,534	2,051,498
Mutual funds - alternative investments	<u>401,445</u>	<u>477,112</u>
Total investments	<u>\$ 10,822,807</u>	<u>\$ 10,168,614</u>

Investment return includes the following amounts for the years ended June 30:

	<u>2019</u>	<u>2018</u>
Interest and dividend income	\$ -	\$ 5,668
Net realized and unrealized gain	<u>640,266</u>	<u>213,452</u>
Total investment return	<u>\$ 640,266</u>	<u>\$ 219,120</u>

Fair value is defined as the price that would be received for an asset or paid to transfer a liability (an exit price) in Erie's principal or most advantageous market in an orderly transaction between market participants on the measurement date.

(Continued)

ERIE FAMILY HEALTH CENTER, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years ended June 30, 2019 and 2018

NOTE 2 - INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

A fair value hierarchy requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date. The fair values of exchange traded funds and mutual funds that are readily marketable are determined by obtaining quoted prices on nationally recognized securities exchanges (Level 1 inputs).

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data. Erie has no Level 2 investments.

Level 3: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability. Erie has no Level 3 investments.

In many cases, a valuation technique used to measure fair value includes inputs from multiple levels of the fair value hierarchy. The lowest level of significant input determines the placement of the entire fair value measurement in the hierarchy.

Assets measured on a recurring basis at fair value at June 30, 2019 are summarized below:

	Fair Value Measurements at June 30, 2019 Using		
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Assets:			
Exchange traded funds - equities	\$ 2,120,814	\$ -	\$ -
Exchange traded funds - fixed income	45,319	-	-
Mutual funds – equities	5,568,412	-	-
Mutual funds – fixed income	2,396,283	-	-
Mutual funds - money market	290,534	-	-
Mutual funds - alternative investments	<u>401,445</u>	<u>-</u>	<u>-</u>
	<u>\$ 10,822,807</u>	<u>\$ -</u>	<u>\$ -</u>

(Continued)

ERIE FAMILY HEALTH CENTER, INC.
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 Years ended June 30, 2019 and 2018

NOTE 2 - INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

	Fair Value Measurements at June 30, 2018 Using		
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Assets:			
Exchange traded funds - equities	\$ 310,998	\$ -	\$ -
Exchange traded funds - fixed income	341,900	-	-
Mutual funds – equities	5,065,337	-	-
Mutual funds – fixed income	1,921,769	-	-
Mutual funds - money market	2,051,498	-	-
Mutual funds - alternative investments	<u>477,112</u>	-	-
	<u>\$ 10,168,614</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE 3 - EQUITY INVESTMENTS

Equity investments consist of the following:

	<u>2019</u>	<u>2018</u>
Investments valued at cost	\$ 57,500	\$ 57,500
Investments valued under equity method	<u>1,494,164</u>	<u>1,259,107</u>
Total	<u>\$ 1,551,664</u>	<u>\$ 1,316,607</u>

Erie is one of four members (each with 25 percent ownership) of Alliance of Chicago Community Health Services, LLC (Alliance). The purposes of Alliance are (i) to form an organization that will coordinate the sharing of resources and the integration of services and systems between and among the members and (2) in furtherance of operating for the benefit of the communities served by the members and to help further the charitable goals and missions of the members. Such purposes are in furtherance of the federal government's (specifically, the DHHS and Bureau of Primary Health Care) encouragement of groups of federally-qualified health centers to form networks. The investment in Alliance is accounted for by the equity method, which increases the initial cost of the investment by the investor's share of earnings and reduces the carrying value by its share of losses and dividends received. Erie's membership interest in the Alliance was \$1,431,376 and \$1,177,145 as of June 30, 2019 and 2018, respectively.

Erie is one of nine members (each with 11.11% ownership) of MyCare Chicago. The purpose of MyCare is to develop an accountable care entity that will demonstrate an integrated delivery system, share clinical information in a timely manner, and design and implement a model of care and financial management that promotes provider accountability, quality improvement, and improved health outcomes. The investment in MyCare is accounted for by the equity method, which increases the initial cost of the investment by the investor's share of earnings and reduces the carrying value by its share of losses and dividends received. Erie's membership interest in MyCare, which is in process of liquidation, was \$62,788 and \$81,962 as of June 30, 2019 and 2018, respectively.

(Continued)

ERIE FAMILY HEALTH CENTER, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years ended June 30, 2019 and 2018

NOTE 3 - EQUITY INVESTMENTS (Continued)

In addition, Erie is a member of two other organizations with ownership interests of less than 20% and insignificant influence, which are recorded at cost. Erie's membership interest in the two organizations was \$57,500 as of June 30, 2019 and 2018.

NOTE 4 - LINE OF CREDIT

Effective May 30, 2014, Erie entered into a line of credit agreement with PNC Bank with maximum borrowings of \$2,500,000. The borrowings under this line of credit bear interest at the 30-day LIBOR plus 1.75% and it is secured by all business assets. Erie had no outstanding balance on the line of credit as of June 30, 2019 and 2018. The agreement expires May 30, 2020.

NOTE 5 - NEW MARKETS TAX CREDITS FINANCING AND OTHER DEBT

Erie has entered into two transactions through the New Markets Tax Credit (NMTC) program under Section 45D of the Internal Revenue Code of 1986, as amended. The NMTC program was designed to increase the flow of capital to businesses and low-income communities by providing tax incentives to private investors. Through participation in the NMTC program, Erie financed construction of two facilities described below through partnerships with investors that will earn tax credits over a seven-year period.

2014 Transaction

Erie formed Erie Title Holding Company (ETHC), of which Erie is the sole corporate member. ETHC exists only to hold ownership in land, building, and opening day equipment located at 2323 Grand Ave., Waukegan, IL 60085, the purpose of which is to operate Erie Waukegan Health Center.

ETHC lent \$6,219,700 to Chase NMTC EFHC Investment Fund, LLC, (Investment Fund) wholly owned by Chase Community Equity, LLC (Chase). The note is secured by the Investment Fund's right, title, and equity interest in ESIC New Markets Partners LX Limited Partnership, Enterprise Realty Partners, LLC, and ESIC New Markets Partners Limited Partnership. The note receivable balance was \$6,219,700 as of June 30, 2019 and 2018. The note bears interest at 0.720% and is payable in quarterly installments of interest, with the balance due in March 10, 2022.

ETHC financed the above note receivable as part of the NMTC transaction through a note payable to ESIC New Markets Partners LX Limited Partnership for \$8,972,500 as of June 30, 2019 and 2018.

The seven-year compliance period for this transaction will end July 2, 2021 at which time Chase may exit the transaction through the exercise of a put/call agreement entered into with EFHC, whereby Chase has the option to voluntarily put its interest in the Investment Fund to EFHC for a predetermined price of \$1,000. If Chase does not exercise this right, EFHC has a right to call Chase's interest in the same entity for the then-appraised fair market value of Chase's interest in Chase NMTC EFHC Investment Fund, LLC. Erie anticipates that Chase will exercise its voluntary put option. After the option is exercised, Erie will then control the Investment Fund and can effectively forgive the note payable to ESIC New Markets Partners LX Limited Partnership. No amounts have been recorded in the accompanying consolidated financial statements related to these put and call options.

(Continued)

ERIE FAMILY HEALTH CENTER, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years ended June 30, 2019 and 2018

NOTE 5 - NEW MARKETS TAX CREDITS FINANCING AND OTHER DEBT (Continued)

2016 Transaction

On October 12, 2016, Erie formed Erie Family Health Foundation Inc. (Foundation) in conjunction with a New Markets Tax Credit transaction. The Foundation was incorporated in the State of Illinois with Erie Family Health Center, Inc. as the sole member of the entity. The Foundation was created with the primary purpose of managing the capital improvements related to the new market tax credit. These improvements include the building out of a new Patient Access Center to house a call center, medical records, and referral departments of EFHC, improvements to and expansion of EFHC's Teen Health Center, and provide working capital associated with operating these facilities. In future years, the Foundation will assist in raising funds to aid in Erie's mission to provide high quality community-based healthcare.

The Foundation lent \$3,401,000 to EFHC Investment Fund, LLC, (Investment Fund) wholly owned by PNC New Markets Investment Partners, LLC (PNC). The note is secured by the Investment Fund's right, title, and equity interest in CCLF Sub-CDE 2, LLC. The note receivable balance was \$3,401,000 as of June 30, 2019 and 2018. The note bears interest at 1% and is payable in annual installments of interest with principal payments beginning December 1, 2024.

EFHC financed the above note receivable as part of the NMTC transaction through a note payable to CCLF Sub-CDE 2, LLC for \$4,800,000 as of June 30, 2019 and 2018. The note bears interest at 1.398% and is payable in annual installments of interest with principal payments beginning December 1, 2024.

The seven-year compliance period for this transaction will end November 15, 2023 at which time PNC may exit the transaction through the exercise of a put/call agreement entered into with EFHC, whereby PNC has the option to voluntarily put its interest in the Investment Fund to EFHC for a predetermined price of \$1,000. If PNC does not exercise this right, EFHC has a right to call PNC's interest in the same entity for the then-appraised fair market value of PNC's interest in CCLF Sub-CDE 2, LLC and The Chicago Community Loan Fund. EFHC anticipates that PNC will exercise its voluntary put option. After the option is exercised, Erie will then control the Investment Fund and can effectively forgive the note payable to CCLF Sub-CDE 2, LLC. No amounts have been recorded in the accompanying consolidated financial statements related to these put and call options.

(Continued)

ERIE FAMILY HEALTH CENTER, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years ended June 30, 2019 and 2018

NOTE 5 - NEW MARKETS TAX CREDITS FINANCING AND OTHER DEBT (Continued)

Long-term debt at June 30 is as follows:

	<u>2019</u>	<u>2018</u>
Note payable to ESIC New Markets Partners LX Limited Partnership, due December 31, 2048. Interest payments are due in quarterly installments until March 1, 2022. Beginning March 1, 2022, the principal balance is payable in quarterly installments of principal and interest at an annual rate of 0.50%.	\$ 2,752,800	\$ 2,752,800
Note payable to ESIC New Markets Partners LX Limited Partnership, due December 31, 2048. Interest payments are due in quarterly installments until March 1, 2022. Beginning March 1, 2022, the principal balance is payable in quarterly installments of principal and interest at an annual rate of 0.50%.	6,219,700	6,219,700
Note payable to CCLF Sub-CDE 2, LLC, due December 1, 2051. Interest payments are due in annual installments until December 1, 2024. Beginning December 1, 2024, the principal balance is payable in annual installments at an annual rate of 1.398%	3,401,000	3,401,000
Note payable to CCLF Sub-CDE 2, LLC, due December 1, 2051. Interest payments are due in annual installments until December 1, 2024. Beginning December 1, 2024, the principal balance is payable in annual installments at an annual rate of 1.398%	1,399,000	1,399,000
Note payable to PNC Bank, due May 30, 2022, with monthly payments of principal of \$8,522. Interest rate will float at 30-day LIBOR plus 175 basis points; secured by all business assets.	892,444	1,183,978
Note payable to PNC Bank, due May 30, 2021, with monthly payments of principal of \$33,587. Interest rate will float at 30-day LIBOR plus 175 basis points; secured by all business assets.	<u>942,868</u>	<u>1,380,239</u>
Total	15,607,812	16,336,717
Less current portion	<u>(868,275)</u>	<u>(505,311)</u>
Long-term portion	14,739,537	15,831,406
Less capitalized loan costs	<u>(152,180)</u>	<u>(226,625)</u>
Long-term portion, net of loan costs	<u>\$ 14,587,357</u>	<u>\$ 15,604,781</u>

(Continued)

ERIE FAMILY HEALTH CENTER, INC.
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 Years ended June 30, 2019 and 2018

NOTE 5 - NEW MARKETS TAX CREDITS FINANCING AND OTHER DEBT (Continued)

The balance of the above long-term debt matures as follows:

2020	\$ 868,275
2021	829,517
2022	292,370
2023	311,958
2024	311,958
Thereafter	<u>12,841,554</u>
 Total	 <u>\$ 15,455,632</u>

NOTE 6 - PROPERTY AND EQUIPMENT, NET

The cost of property and equipment is summarized as follows at June 30:

	<u>2019</u>	<u>2018</u>
Land	\$ 742,344	\$ 742,344
Buildings	8,661,769	8,653,348
Building improvements	13,454,562	13,436,699
Equipment	5,375,453	4,925,014
Vehicles	89,569	89,569
Furniture and fixtures	2,669,061	2,494,744
Software	1,847,997	1,595,329
Leasehold improvements	6,709,075	4,907,567
Construction in progress, equipment, and improvements not placed in service	<u>93,455</u>	<u>85,793</u>
 Total cost	 39,643,285	 36,930,407
 Less accumulated depreciation	 <u>(19,193,879)</u>	 <u>(17,063,873)</u>
 Net carrying amount	 <u>\$ 20,449,406</u>	 <u>\$ 19,866,534</u>

(Continued)

ERIE FAMILY HEALTH CENTER, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years ended June 30, 2019 and 2018

NOTE 7 - OPERATING LEASES

Erie has entered into property leases with unrelated parties for six of its office locations. In addition, Erie entered into a related party lease in 2015 at the Waukegan, IL location and has leases with unrelated parties for parking lots and printers. Total rent expense for all operating leases was \$1,392,843 and \$1,387,301 in 2019 and 2018, respectively.

The following is a schedule of future minimum rental payments under the operating leases:

2020	\$ 1,263,221
2021	565,426
2022	492,062
2023	455,019
2024	449,993
Thereafter	<u>1,652,212</u>
Total	<u>\$ 4,877,934</u>

NOTE 8 - RETIREMENT PLANS

Erie sponsors 401(k) and 457(b) retirement plans. Certain eligibility requirements, unique to each plan, must be met in order for employees to participate. Erie only contributes to the 401(k) plan and is dependent on the contributions of each employee. Total employer contributions to the 401(k) plan were \$526,777 and \$510,562 in 2019 and 2018, respectively.

NOTE 9 - CONTINGENCIES

Erie maintains its medical malpractice coverage under the Federal Tort Claims Act (FTCA). FTCA provides malpractice coverage to eligible public health service-supported programs and applies to Erie and its employees while providing services within the scope of employment included under grant-related activities. The attorney general, through the United States Department of Justice, has the responsibility for the defense of the individual and/or grantee for malpractice cases approved for FTCA coverage.

Erie has contracted with the county, city, and other agencies to perform certain healthcare services and receives Medicaid and Medicare revenue from the State of Illinois and the federal government. Reimbursements received under these contracts and payments under Medicaid and Medicare are subject to audit by federal and other governments and agencies. Upon audit, if discrepancies are discovered, Erie could be held responsible for refunding amounts in question. As of the report date, there are no pending or scheduled audits related to Medicaid and Medicare reimbursements.

Medicaid and Medicare revenue is reimbursed to Erie at the net reimbursement rates as determined by the program's cost report. Reimbursement rates are subject to revisions under the provisions of cost reimbursement regulations. Adjustments for such revisions are recognized as of June 30, 2019 and 2018.

(Continued)

ERIE FAMILY HEALTH CENTER, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years ended June 30, 2019 and 2018

NOTE 10 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes as of June 30:

	<u>2019</u>	<u>2018</u>
<u>Net assets with purpose restrictions</u>		
Access to care	\$ 269,217	\$ 53,650
Adolescent health network	46,961	80,386
Behavioral health	748,086	596,617
Breast health	41,776	126,807
Capital projects at Evanston/Skokie	-	1,666,743
Cooking Matters	-	10,000
Diabetes	-	4,235
Evanston/Skokie operations	180,660	88,055
H3: Healthy Minds, Healthy Children, Healthy Chicago	-	214,558
Health promotions	-	20,000
Oral Health	76,807	-
Pediatrics	5,082	-
Prenatal	15,617	29,432
Primary Care/Support- Chicagoland Centers	217,456	29,800
Provider time	8,578	11,231
Purchase of books for children	7,439	5,953
Running club	746	529
Strategic planning	-	42,186
Support for Board Retreat	-	1,000
Support for Lending Hands for Life	12,463	10,812
Support for Patient Transportation	-	5,295
Support for Waukegan & Care Management	245,988	108,202
Waukegan operations	133,165	67,185
Women's and Children's Health	33,499	81,273
Women's Health unspent endowment earnings	<u>38,165</u>	<u>33,722</u>
	2,081,705	3,287,671
<u>Net assets restricted in perpetuity</u>		
Endowment	<u>2,000,000</u>	<u>2,000,000</u>
	<u>\$ 4,081,705</u>	<u>\$ 5,287,671</u>

(Continued)

ERIE FAMILY HEALTH CENTER, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years ended June 30, 2019 and 2018

NOTE 11 - ENDOWMENT

Erie's endowment consists only of donor-restricted endowment funds and no funds are designated by the Board of Directors to function as endowments. Erie's donor-restricted endowment funds are used exclusively for support of the Women's Health Program.

Interpretation of Relevant Law: Erie has interpreted the Illinois Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, Erie classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by Erie in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, Erie considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of Erie and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of Erie
- (7) The investment policies of Erie

Endowment Composition: Endowment net asset composition by type of fund as of June 30, 2019 and 2018 is summarized below:

<u>2019</u>	<u>With Donor Restrictions</u>
Donor-restricted endowment funds and unappropriated earnings	\$ <u>2,038,165</u>

<u>2018</u>	<u>With Donor Restrictions</u>
Donor-restricted endowment funds and unappropriated earnings	\$ <u>2,000,000</u>

(Continued)

ERIE FAMILY HEALTH CENTER, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years ended June 30, 2019 and 2018

NOTE 11 - ENDOWMENT (Continued)

Changes in endowment net assets for the years ended June 30, 2019 and 2018 is summarized below:

	<u>Original Gift</u>	<u>Accumulated Earnings</u>	<u>Total</u>
Net assets at July 1, 2017	\$ 2,000,000	\$ -	\$ 2,000,000
Investment income, net	-	33,723	33,723
Appropriation of endowment assets for expenditure	<u>-</u>	<u>(33,723)</u>	<u>(33,723)</u>
Net assets at June 30, 2018	2,000,000	-	2,000,000
Investment income, net	-	118,165	118,165
Appropriation of endowment assets for expenditure	<u>-</u>	<u>(80,000)</u>	<u>(80,000)</u>
			-
Net assets at June 30, 2019	<u>\$ 2,000,000</u>	<u>\$ 38,165</u>	<u>\$ 2,038,165</u>

Return Objectives and Risk Parameters: Erie has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that Erie must hold in perpetuity. Under this policy, the endowment assets are invested to provide a predictable income stream to finance the Women's Health Program. The choice of specific equity and fixed income funds in which to invest, and the mix within each fund, will be determined by management in consultation with Erie's investment advisor.

Strategies Employed for Achieving Objectives: To satisfy its long-term investment policy objectives, Erie has hired an external investment advisor / fiduciary to manage our investment portfolio outlined in Note 2.

Spending Policy: Erie has adopted an annual spending guideline based on withdrawing an amount equal to 4% of assets for distribution in the next fiscal year.

Donor-Restricted Funds with Deficiencies: From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or UPMIFA requires Erie to retain as a fund of perpetual duration. Deficiencies of this nature that are in excess of related amounts with donor restrictions are reported in net assets with donor restrictions. There were no donor-restricted endowments with deficiencies as of June 30, 2019 and 2018.

(Continued)

ERIE FAMILY HEALTH CENTER, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years ended June 30, 2019 and 2018

NOTE 12 - FUNCTIONAL EXPENSES

The consolidated statements of operations and changes in net assets report certain categories of expenses attributable to the programs and supporting functions of Erie. Program activities include primary healthcare services, including medical, dental and behavioral health services. The table below presents these functional expenses by their natural classification for the year ended June 30, 2019:

				<u>Total Expenses</u>	
	<u>Program service</u>	<u>Management</u>	<u>Fundraising</u>		
	<u>expenses</u>	<u>and general</u>	<u>expenses</u>	<u>2019</u>	<u>2018</u>
Salaries	\$ 36,225,520	\$ 4,659,690	\$ 549,677	\$ 41,434,887	\$ 38,623,836
Benefits and other personnel related	6,746,694	1,205,340	122,296	8,074,330	7,608,711
Pharmaceutical and medical supplies	7,183,204	45	-	7,183,249	6,718,007
Professional and outside services	1,483,837	1,134,802	227,041	2,845,680	2,694,855
Other operating	6,094,517	1,346,213	44,742	7,485,472	7,031,995
Interest	111,967	94,948	-	206,915	205,352
Depreciation and amortization	2,137,780	64,667	2,004	2,204,451	2,277,311
	<u>\$ 59,983,519</u>	<u>\$ 8,505,705</u>	<u>\$ 945,760</u>	<u>\$ 69,434,984</u>	<u>\$ 65,160,067</u>

NOTE 13 - LIQUIDITY AND AVAILABILITY

Erie's financial assets available within one year of the balance sheet date for general expenditure are as follows:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 11,593,604	\$ 11,670,781
Patient accounts receivable, net	5,577,615	4,498,594
Investments	10,822,807	10,168,614
Grants receivable, net	5,140,168	6,129,508
Other receivables	2,694,035	2,301,058
Less: net assets with donor restrictions	<u>(4,081,705)</u>	<u>(5,287,671)</u>
Total financial assets	<u>\$ 31,746,524</u>	<u>\$ 29,480,884</u>

As part of the Erie's liquidity management plan, management invests cash in excess of daily requirements in short-term investments. The Organization has a goal to maintain financial assets, which consist of cash and short-term investments, on hand to meet 90 days of normal operating expenses, which are, on average, approximately \$184,000 per day. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Organization typically collects patient accounts receivable within 52 days of the date of service on average. Collections by payor type may vary based on payor source liquidity and timeliness of claims processing. In the event of an unanticipated liquidity need, Erie also could draw upon \$2,500,000 of the available line of credit (as further discussed in Note 4), which it has not used in the past.

Our donor-restricted endowment funds total \$2 million, as described in Note 11. Income from donor-restricted endowments is restricted for support of the Women's Health Program. Donor-restricted endowment funds are not available for general expenditure.

SUPPLEMENTARY INFORMATION

ERIE FAMILY HEALTH CENTER, INC.
CONSOLIDATING BALANCE SHEET
June 30, 2019

	<u>EFHC</u>	<u>ETHC</u>	<u>Foundation</u>	<u>Eliminations</u>	<u>Total</u>
ASSETS					
Current assets					
Cash and cash equivalents	\$ 11,350,682	\$ 236,930	\$ 5,992	\$ -	\$ 11,593,604
Patient accounts receivable, net	5,577,615	-	-	-	5,577,615
Grants receivable	4,962,241	-	177,927	-	5,140,168
Other receivables	3,095,972	-	(67,337)	(334,600)	2,694,035
Prepaid expenses and other current assets	948,823	-	-	-	948,823
Inventory	<u>517,253</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>517,253</u>
Total current assets	26,452,586	236,930	116,582	(334,600)	26,471,498
Investments (Note 2)	10,822,807	-	-	-	10,822,807
Equity investments (Note 3)	1,551,664	-	-	-	1,551,664
Notes receivable (Note 5)	9,617,273	-	3,401,000	(3,397,573)	9,620,700
Property and equipment, net (Note 6)	<u>13,634,048</u>	<u>6,815,358</u>	<u>-</u>	<u>-</u>	<u>20,449,406</u>
Total assets	<u>\$ 62,078,378</u>	<u>\$ 7,052,288</u>	<u>\$ 3,517,582</u>	<u>\$ (3,732,173)</u>	<u>\$ 68,916,075</u>
LIABILITIES AND NET ASSETS					
Current liabilities					
Accounts payable	\$ 1,201,994	\$ -	\$ -	\$ -	\$ 1,201,994
Due to EFHC	-	334,600	-	(334,600)	-
Accrued salaries and wages	2,385,205	-	-	-	2,385,205
Accrued bonus	1,325,585	-	-	-	1,325,585
Other accrued liabilities	1,594,333	1,727	-	-	1,596,060
Deferred revenue	200,000	-	-	-	200,000
Current portion of long-term debt (Note 5)	<u>868,275</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>868,275</u>
Total current liabilities	7,575,392	336,327	-	(334,600)	7,577,119
Long-term debt, net of current portion (Note 5)	5,717,895	8,869,462	3,397,573	(3,397,573)	14,587,357
Net assets					
Without donor restrictions	44,703,386	(2,153,501)	120,009	-	42,669,894
With donor restrictions (Note 11)	<u>4,081,705</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,081,705</u>
Total net assets (deficit)	<u>48,785,091</u>	<u>(2,153,501)</u>	<u>120,009</u>	<u>-</u>	<u>46,751,599</u>
Total liabilities and net assets (deficit)	<u>\$ 62,078,378</u>	<u>\$ 7,052,288</u>	<u>\$ 3,517,582</u>	<u>\$ (3,732,173)</u>	<u>\$ 68,916,075</u>

See accompanying independent auditor's report

ERIE FAMILY HEALTH CENTER, INC.
CONSOLIDATING BALANCE SHEET
June 30, 2018

	<u>EFHC</u>	<u>ETHC</u>	<u>Foundation</u>	<u>Eliminations</u>	<u>Total</u>
ASSETS					
Current assets					
Cash and cash equivalents	\$ 11,338,686	\$ 263,626	\$ 68,469	\$ -	\$ 11,670,781
Restricted cash	-	-	-	-	-
Patient accounts receivable, net	4,498,594	-	-	-	4,498,594
Grants receivable	6,129,508	-	-	-	6,129,508
Other receivables	2,545,965	-	22,293	(267,200)	2,301,058
Prepaid expenses and other current assets	607,193	-	-	-	607,193
Inventory	518,881	-	-	-	518,881
Total current assets	<u>25,638,827</u>	<u>263,626</u>	<u>90,762</u>	<u>(267,200)</u>	<u>25,726,015</u>
Investments (Note 2)	10,168,614	-	-	-	10,168,614
Equity investments (Note 3)	1,316,607	-	-	-	1,316,607
Notes receivable (Note 5)	9,620,700	-	3,401,000	(3,401,000)	9,620,700
Property and equipment, net (Note 6)	<u>12,740,679</u>	<u>7,125,855</u>	<u>-</u>	<u>-</u>	<u>19,866,534</u>
Total assets	<u>\$ 59,485,427</u>	<u>\$ 7,389,481</u>	<u>\$ 3,491,762</u>	<u>\$ (3,668,200)</u>	<u>\$ 66,698,470</u>
LIABILITIES AND NET ASSETS					
Current liabilities					
Accounts payable	\$ 829,305	\$ -	\$ -	\$ -	\$ 829,305
Due to EFHC	-	267,200	-	(267,200)	-
Accrued salaries and wages	2,229,517	-	-	-	2,229,517
Accrued bonus	1,284,242	-	-	-	1,284,242
Other accrued liabilities	1,687,635	-	-	-	1,687,635
Deferred revenue	200,000	-	-	-	200,000
Current portion of long-term debt (Note 5)	<u>505,311</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>505,311</u>
Total current liabilities	<u>6,736,010</u>	<u>267,200</u>	<u>-</u>	<u>(267,200)</u>	<u>6,736,010</u>
Long-term debt, net of current portion (Note 5)	6,784,778	8,820,003	3,401,000	(3,401,000)	15,604,781
Net assets					
Without donor restrictions	40,676,968	(1,697,722)	90,762	-	39,070,008
Temporarily restricted (Note 10)	<u>5,287,671</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,287,671</u>
Total net assets (deficit)	<u>45,964,639</u>	<u>(1,697,722)</u>	<u>90,762</u>	<u>-</u>	<u>44,357,679</u>
Total liabilities and net assets (deficit)	<u>\$ 59,485,427</u>	<u>\$ 7,389,481</u>	<u>\$ 3,491,762</u>	<u>\$ (3,668,200)</u>	<u>\$ 66,698,470</u>

See accompanying independent auditor's report

ERIE FAMILY HEALTH CENTER, INC.
CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS
June 30, 2019

	Erie Family Health Center		ETHC	Foundation	Eliminations	Total
	Without Donor Restrictions	With Donor Restrictions				
Revenue						
Net patient service revenue	\$ 37,305,667	\$ -	\$ -	\$ -	\$ -	\$ 37,305,667
Department of Health and Human Services grants	13,011,646	-	-	-	-	13,011,646
Contract services and other grants	13,612,555	4,616,687	873	484,452	(483,755)	18,230,812
Contribution and other	1,818,699	483,755	-	589,268	(555,258)	2,336,464
Net assets released from restrictions	4,757,830	(4,757,830)	-	-	-	-
In-kind contributions	200,655	-	-	-	-	200,655
Total revenue	<u>70,707,052</u>	<u>342,612</u>	<u>873</u>	<u>1,073,720</u>	<u>(1,039,013)</u>	<u>71,085,244</u>
Expenses						
Salaries	41,434,887	-	-	-	-	41,434,887
Benefits and other personnel related	8,074,330	-	-	-	-	8,074,330
Pharmaceutical and medical supplies	7,183,249	-	-	-	-	7,183,249
Professional and outside services	2,840,955	-	4,725	-	-	2,845,680
Other operating	7,432,904	-	47,108	1,044,473	(1,039,013)	7,485,472
Interest	162,052	-	44,863	-	-	206,915
Total expenses	<u>67,128,377</u>	<u>-</u>	<u>96,696</u>	<u>1,044,473</u>	<u>(1,039,013)</u>	<u>67,230,533</u>
Operating income (loss) before depreciation and amortization	3,578,675	342,612	(95,823)	29,247	-	3,854,711
Depreciation and amortization	<u>1,844,495</u>	<u>-</u>	<u>359,956</u>	<u>-</u>	<u>-</u>	<u>2,204,451</u>
Operating income (loss)	1,734,180	342,612	(455,779)	29,247	-	1,650,260
Capital projects						
Capital projects grants	-	103,394	-	-	-	103,394
Satisfaction of capital project grant restrictions	<u>1,770,137</u>	<u>(1,770,137)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total capital projects	1,770,137	(1,666,743)	-	-	-	103,394
Investment return	<u>522,101</u>	<u>118,165</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>640,266</u>
Changes in net assets	4,026,418	(1,205,966)	(455,779)	29,247	-	2,393,920
Net assets, beginning of year	<u>40,676,968</u>	<u>5,287,671</u>	<u>(1,697,722)</u>	<u>90,762</u>	<u>-</u>	<u>44,357,679</u>
Net assets, end of year	<u>\$ 44,703,386</u>	<u>\$ 4,081,705</u>	<u>\$ (2,153,501)</u>	<u>\$ 120,009</u>	<u>\$ -</u>	<u>\$ 46,751,599</u>

See accompanying independent auditor's report

ERIE FAMILY HEALTH CENTER, INC.
CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS
June 30, 2018

	Erie Family Health Center		ETHC	Foundation	Eliminations	Total
	Without Donor Restrictions	With Donor Restrictions				
Revenue						
Net patient service revenue	\$ 33,703,969	\$ -	\$ -	\$ -	\$ -	\$ 33,703,969
Department of Health and Human Services grants	11,969,485	-	-	-	-	11,969,485
Contract services and other grants	13,556,228	5,916,851	432	28,501	-	19,502,012
Contribution and other	1,121,844	-	-	35,240	-	1,157,084
Net assets released from restrictions	5,722,163	(5,722,163)	-	-	-	-
In-kind contributions	<u>744,712</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>744,712</u>
Total revenue	66,818,401	194,688	432	63,741	-	67,077,262
Expenses						
Salaries	38,623,836	-	-	-	-	38,623,836
Benefits and other personnel related	7,608,711	-	-	-	-	7,608,711
Pharmaceutical and medical supplies	6,718,007	-	-	-	-	6,718,007
Professional and outside services	2,690,755	-	4,100	-	-	2,694,855
Other operating expenses	6,985,591	-	46,404	-	-	7,031,995
Interest	<u>160,489</u>	<u>-</u>	<u>44,863</u>	<u>-</u>	<u>-</u>	<u>205,352</u>
Total expenses	<u>62,787,389</u>	<u>-</u>	<u>95,367</u>	<u>-</u>	<u>-</u>	<u>62,882,756</u>
Operating income (loss) before depreciation and amortization	4,031,012	194,688	(94,935)	63,741	-	4,194,506
Depreciation and amortization	<u>1,917,456</u>	<u>-</u>	<u>359,855</u>	<u>-</u>	<u>-</u>	<u>2,277,311</u>
Operating income (loss)	2,113,556	194,688	(454,790)	63,741	-	1,917,195
Capital projects						
Capital projects grants	-	387,545	-	-	-	387,545
Satisfaction of capital project grant restrictions	<u>1,017,543</u>	<u>(1,017,543)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total capital projects	1,017,543	(629,998)	-	-	-	387,545
Investment return	<u>179,730</u>	<u>33,722</u>	<u>-</u>	<u>5,668</u>	<u>-</u>	<u>219,120</u>
Change in net assets	3,310,829	(401,588)	(454,790)	69,409	-	2,523,860
Net assets, beginning of year	<u>37,366,139</u>	<u>5,689,259</u>	<u>(1,242,932)</u>	<u>21,353</u>	<u>-</u>	<u>41,833,819</u>
Net assets, end of year	<u>\$ 40,676,968</u>	<u>\$ 5,287,671</u>	<u>\$ (1,697,722)</u>	<u>\$ 90,762</u>	<u>\$ -</u>	<u>\$ 44,357,679</u>

See accompanying independent auditor's report

SINGLE AUDIT

ERIE FAMILY HEALTH CENTER, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2019

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Grantor's Number</u>	<u>Federal Expenditures</u>
U.S. Department of Health and Human Services:			
Direct Program			
Consolidated Health Center Cluster	93.224	N/A	\$ 7,674,391
HIV Early Intervention with Respect to HIV Disease	93.918	N/A	377,636
Pass-through City of Chicago Department of Public Health:			
Ryan White Part A - AOMC	93.914	72909	99,356
Maternal and Child Health Program/ WIC Program	10.557	80924	143,994
Maternal and Child Health Program/ WIC Program	10.557	80938	214,552
Subtotal CFDA 10.557			<u>358,546</u>
Pass-through Northwestern University:			
Affordable Care Act Teaching Health Center (THC)			
Graduate Medical Education (GME) Payment Program	93.530	60050894EFHC	1,486,495
Using Location-Based Smartphone Alerts within a System of Care Coordination	93.226	60044822 ERIE	6,730
Prevent Diabetes Mellitus Clinical Decision Support Intervention in Community Health Centers	93.226	60050960/R18HS026172	15,479
Diabetes Risk Education & Communication Trial (DIRECT)	93.226	60046388EFHC	28,635
Subtotal CFDA 93.226			<u>50,844</u>
A Universal Medication Schedule to Promote Adherence to Complex Drug Regimens	93.866	60041739ERIE	18,769
Academic Units for Primary Care Training & Enhancement	93.884	60043855 ERIE	11,420
Pass-through AIDS Foundation of Chicago:			
Ryan White Part B - Medical Case Management	93.917	N/A	180,476
Ryan White Part B - Mental Health	93.917	N/A	7,507
Ryan White Part B - Outpatient / Ambulatory	93.917	N/A	87,288
Ryan White Part B - Case Management (Non-Medical)	93.917	N/A	61,736
Subtotal CFDA 93.917			<u>337,007</u>
HRSA/SPNA Salud y Orgullo Mexicano Project	93.928	N/A	20,848
Pass-through Chicago House:			
Centers for Disease Control and Prevention	93.939	N/A	74,053
Pass-through The Board of Trustees of the University of Illinois:			
The Asthma Action	93.838	7627	89,742
Pass-through Rush University Medical Center:			
Multi-clinic Action to Control Hyperglycemia & Hypertension	93.847	5R01DK098256	672
Pass-through Illinois Department of Human Services:			
IL Teen Pregnancy Prevention	93.297	FCSXPO3990	108,000
Pass-through Illinois Department of Public Health:			
Title X	93.667	96180050G-A1	158,182
Total Expenditures of Federal Awards			<u>\$ 10,865,961</u>

ERIE FAMILY HEALTH CENTER, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2019

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal grant activity of Erie under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Erie, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Erie.

NOTE 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 to reimbursement (see Note 3 below). Negative amounts shown on the schedule represents adjustments or credit made in the normal course of business to amounts reported as expenditures in prior years.

NOTE 3 - LOAN OUTSTANDING

Erie had no loan balances outstanding at June 30, 2019.

NOTE 4 - NONCASH ASSISTANCE

Erie neither received nor disbursed federal awards in the form of nonmonetary assistance for the year ended June 30, 2019.

NOTE 5 - SUBRECIPIENT AWARDS

Erie had no federal expenditures provided to subrecipient awards during the year ended June 30, 2019.

NOTE 6 - INDIRECT COST RATE

Erie has elected to use the 10 percent de minimum indirect cost rate as allowed under the Uniform Guidance.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors
Erie Family Health Center, Inc.

We have audited, 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, the consolidated financial statements of Erie Family Health Center, Inc. ("Erie"), which comprise the consolidated statement of financial position as of June 30, 2019, and the related consolidated statements of operations and changes in net assets and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated December 5, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered Erie's internal control over financial reporting 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 Erie's internal control. Accordingly, we do not express an opinion on the effectiveness of Erie'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 controls 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 controls that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Erie's consolidated financial statements are free of 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 consolidated 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 over financial reporting 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.


Crowe LLP

Chicago, Illinois
December 5, 2019

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR FEDERAL PROGRAM AND
REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Board of Directors
Erie Family Health Center, Inc.

Report on Compliance for Each Major Federal Program

We have audited Erie Family Health Center, Inc.'s (Erie) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Erie's major federal programs for the year ended June 30, 2019. Erie's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

Opinion on Each Major Federal Program

In our opinion, Erie complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2019.

(Continued)

Report on Internal Control over Compliance

Management of Erie 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 Erie'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 Erie'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.

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

Crowe LLP

Crowe LLP

Chicago, Illinois
December 5, 2019

ERIE FAMILY HEALTH CENTER, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended June 30, 2019

Section 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 that are not considered to be material weaknesses? Yes None Reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal Control over major program(s):

Material weakness(es) identified? Yes No

Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes None Reported

Type of auditor's report issued on compliance for major program(s): Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? Yes No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
93.224	Consolidated Health Center Cluster

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

Auditee qualified as low-risk auditee? Yes No

(Continued)

ERIE FAMILY HEALTH CENTER, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended June 30, 2019

Section II – Findings related to financial statements that are required to be reported in accordance with GAGAS:

- None

Section III – Findings and questioned costs for federal awards including audit findings as described in *OMB Compliance Supplement 2* CFR 200.516(a):

- None