

FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT

**COMMUNITY HEALTHNET, INC.**

DECEMBER 31, 2019 AND 2018

SWARTZ, RETSON & CO., P.C.  
CERTIFIED PUBLIC ACCOUNTANTS  
235 E. 86TH AVENUE  
MERRILLVILLE, INDIANA 46410

COMMUNITY HEALTHNET, INC.

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Community HealthNet, Inc.  
1021 W. 5<sup>th</sup> Avenue  
Gary, IN 46402

We have audited the accompanying financial statements of Community HealthNet, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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

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

### **Auditor's Responsibility**

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

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

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Community HealthNet, Inc. as of December 31, 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.

### **Other Matters**

#### *Other Information*

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated April 23, 2020, on our consideration of Community HealthNet, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Community HealthNet, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Community HealthNet, Inc.'s internal control over financial reporting and compliance.

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Merrillville, IN  
April 23, 2020



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

To the Board of Directors  
Community HealthNet, Inc.  
1021 W. 5<sup>th</sup> Avenue  
Gary, IN 46402

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Community HealthNet, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 23, 2020.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Community HealthNet, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Community HealthNet, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Community HealthNet, 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 first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Community HealthNet, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants 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**

This report is intended solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Merrillville, IN  
April 23, 2020



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

To the Board of Directors  
Community HealthNet, Inc.

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

We have audited Community HealthNet, 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 Community HealthNet, Inc.'s major federal programs for the year ended December 31, 2019. Community HealthNet, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditor's Responsibility**

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

**Opinion on Each Major Federal Program**

In our opinion, Community HealthNet, 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 December 31, 2019.

**Report on Internal Control over Compliance**

Management of Community HealthNet, 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 Community HealthNet, 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 Community HealthNet, 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.

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.

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Merrillville, IN  
April 23, 2020

# COMMUNITY HEALTHNET, INC.

## STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2019 AND 2018

### ASSETS

	<u>2019</u>	<u>2018</u>
ASSETS		
Cash	\$ 368,616	\$ 344,386
Accounts Receivable - Net of Allowance	883,255	981,046
Grants Receivable	489,771	147,383
Other Receivables	10,476	3,076
Prepaid Expenses	60,600	48,058
Security Deposit	<u>9,636</u>	<u>9,636</u>
Total Current Assets	<u>1,822,354</u>	<u>1,533,585</u>
PROPERTY AND EQUIPMENT		
Medical Equipment	579,551	320,467
Dental Equipment	75,585	75,585
Optometry Equipment	93,670	00
Office Equipment	719,855	559,181
Vehicles	55,627	53,477
Building	6,028,564	3,824,591
Leasehold Improvements	788,889	788,889
Construction in Process	00	1,580,647
Land	<u>90,152</u>	<u>90,152</u>
	8,431,893	7,292,989
Less: Accumulated Depreciation	<u>2,730,551</u>	<u>2,492,242</u>
Property and Equipment - Net	<u>5,701,342</u>	<u>4,800,747</u>
TOTAL ASSETS	<u>\$7,523,696</u>	<u>\$6,334,332</u>



LIABILITIES AND NET ASSETS

	<u>2019</u>	<u>2018</u>
<b>CURRENT LIABILITIES</b>		
Notes Payable - Current Portion	\$ 333,498	\$1,315,582
Notes Payable - Line of Credit	316,972	198,537
Capital Leases - Current	29,531	00
Accounts Payable	268,542	1,211,882
Wrap Settlement - Payable	76,941	00
Payroll Taxes and Withholdings Payable	31,431	15,463
Accrued Salaries and Wages	415,141	344,641
Refundable Security Deposits	7,925	7,925
Deferred Revenue	<u>4,479</u>	<u>00</u>
Total Current Liabilities	<u>1,484,460</u>	<u>3,094,030</u>
<b>LONG TERM LIABILITIES</b>		
Notes Payable	2,336,216	239,515
Capital Leases - Long Term	<u>42,847</u>	<u>00</u>
Total Long Term Liabilities	<u>2,379,063</u>	<u>239,515</u>
<b>TOTAL LIABILITIES</b>	<u>3,863,523</u>	<u>3,333,545</u>
<b>NET ASSETS</b>		
Without Donor Restrictions	3,657,136	2,824,787
With Donor Restrictions	<u>3,037</u>	<u>176,000</u>
Total Net Assets	<u>3,660,173</u>	<u>3,000,787</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$7,523,696</u>	<u>\$6,334,332</u>

The accompanying notes are an integral part of the financial statements.

**COMMUNITY HEALTHNET, INC.**

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2019

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
<b>REVENUES, GAINS, AND OTHER SUPPORT</b>			
Patient Service Revenue	\$ 5,789,655	\$ 00	\$5,789,655
Grants	3,789,276	50,000	3,839,276
Contributions	14,616	00	14,616
Rental Income	72,100	00	72,100
Interest and Dividends	186	00	186
Other Income	<u>258,403</u>	<u>00</u>	<u>258,403</u>
Revenues, Gains, and Other Support Prior to Net Assets Released from Restrictions	9,924,236	50,000	9,974,236
Net Assets Released from Restrictions:			
Satisfaction of Program Restrictions	<u>222,963</u>	<u>(222,963)</u>	<u>00</u>
<b>Total Revenues, Gains, and Other Support</b>	<u>10,147,199</u>	<u>(172,963)</u>	<u>9,974,236</u>
<b>EXPENSES</b>			
Clinical and Programs	5,959,393	00	5,959,393
Management and General	3,351,544	00	3,351,544
Fundraising	<u>3,913</u>	<u>00</u>	<u>3,913</u>
<b>Total Expenses</b>	<u>9,314,850</u>	<u>00</u>	<u>9,314,850</u>
<b>CHANGE IN NET ASSETS</b>	832,349	(172,963)	659,386
<b>NET ASSETS - Beginning of Year</b>	<u>2,824,787</u>	<u>176,000</u>	<u>3,000,787</u>
<b>NET ASSETS - End of Year</b>	<u>\$ 3,657,136</u>	<u>\$ 3,037</u>	<u>\$3,660,173</u>

The accompanying notes are an integral part of the financial statements.

**COMMUNITY HEALTHNET, INC.**

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2018

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
<b>REVENUES, GAINS, AND OTHER SUPPORT</b>			
Patient Service Revenue	\$5,359,719	\$ 00	\$5,359,719
Grants	2,986,987	132,500	3,119,487
Contributions	34,581	00	34,581
Rental Income	65,400	00	65,400
Interest and Dividends	54	00	54
Other Income	<u>83</u>	<u>00</u>	<u>83</u>
Revenues, Gains, and Other Support Prior to Net Assets Released from Restrictions	8,446,824	132,500	8,579,324
Net Assets Released from Restrictions:			
Satisfaction of Program Restrictions	<u>133,695</u>	<u>(133,695)</u>	<u>00</u>
Total Revenues, Gains, and Other Support	<u>8,580,519</u>	<u>(1,195)</u>	<u>8,579,324</u>
<b>EXPENSES</b>			
Clinical and Programs	5,200,726	00	5,200,726
Management and General	2,982,463	00	2,982,463
Fundraising	<u>13,768</u>	<u>00</u>	<u>13,768</u>
Total Expenses	<u>8,196,957</u>	<u>00</u>	<u>8,196,957</u>
<b>CHANGE IN NET ASSETS</b>	383,562	(1,195)	382,367
<b>NET ASSETS - Beginning of Year</b>	<u>2,441,225</u>	<u>177,195</u>	<u>2,618,420</u>
<b>NET ASSETS - End of Year</b>	<u>\$2,824,787</u>	<u>\$176,000</u>	<u>\$3,000,787</u>

The accompanying notes are an integral part of the financial statements.

**COMMUNITY HEALTHNET, INC.**

STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2019

	Program Services	Support Services			Grand Total
	Clinical and Programs	Management and General	Fundraising	Total	
EXPENSES					
Personnel	\$4,370,269	\$1,456,756	\$ 00	\$1,456,756	\$5,827,025
Professional/Contract Services	176,117	859,867	00	859,867	1,035,984
Occupancy	115,359	296,639	00	296,639	411,998
Supplies	310,172	54,736	00	54,736	364,908
Equipment	9,634	54,595	00	54,595	64,229
Maintenance and Repairs	349	33,849	698	34,547	34,896
Telecommunications	6,722	127,719	00	127,719	134,441
Conferences and Meetings	36,061	36,061	00	36,061	72,122
Travel/Transportation	128,731	89,457	00	89,457	218,188
Dues and Licenses	18,901	79,583	995	80,578	99,479
Insurance	207	20,537	00	20,537	20,744
Marketing	19,929	48,791	00	48,791	68,720
Outreach and Enrollment	22,122	00	00	00	22,122
Security	00	133,364	00	133,364	133,364
Fundraising Expense	00	298	1,565	1,863	1,863
Postage and Delivery	397	3,214	00	3,214	3,611
Printing and Publications	682	1,941	00	1,941	2,623
Interest Expense	178	17,582	00	17,582	17,760
Bad Debt Expense	509,038	00	00	00	509,038
Donations	00	665	00	665	665
Miscellaneous	983	31,124	655	31,779	32,762
Depreciation/ Amortization	<u>233,542</u>	<u>4,766</u>	<u>00</u>	<u>4,766</u>	<u>238,308</u>
TOTAL EXPENSES	<u>\$5,959,393</u>	<u>\$3,351,544</u>	<u>\$ 3,913</u>	<u>\$3,355,457</u>	<u>\$9,314,850</u>

The accompanying notes are an integral part of the financial statements.

**COMMUNITY HEALTHNET, INC.**

STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2018

	Program Services	Support Services			Grand Total
	Clinical and Programs	Management and General	Fundraising	Total	
EXPENSES					
Personnel	\$4,270,233	\$1,423,411	\$ 00	\$1,423,411	\$5,693,644
Professional/Contract Services	145,026	708,070	00	708,070	853,096
Occupancy	82,476	212,081	00	212,081	294,557
Supplies	178,763	31,546	00	31,546	210,309
Equipment	6,244	35,384	00	35,384	41,628
Maintenance and Repairs	464	45,008	928	45,936	46,400
Telecommunications	7,431	141,181	00	141,181	148,612
Conferences and Meetings	17,542	17,542	00	17,542	35,084
Travel/Transportation	74,980	52,104	00	52,104	127,084
Dues and Licenses	20,848	87,782	1,097	88,879	109,727
Insurance	136	13,481	00	13,481	13,617
Marketing	20,053	49,094	00	40,094	69,147
Outreach and Enrollment	15,694	00	00	00	15,694
Security	00	124,025	00	124,025	124,025
Fundraising Expense	00	2,156	11,320	13,476	13,476
Postage and Delivery	282	2,281	00	2,281	2,563
Printing and Publications	3,982	11,334	00	11,334	15,316
Interest Expense	29	2,881	00	2,881	2,910
Bad Debt Expense	207,727	00	00	00	207,727
Miscellaneous	634	20,078	423	20,501	21,135
Depreciation/ Amortization	<u>148,182</u>	<u>3,024</u>	<u>00</u>	<u>3,024</u>	<u>151,206</u>
TOTAL EXPENSES	<u>\$5,200,726</u>	<u>\$2,982,463</u>	<u>\$ 13,768</u>	<u>\$2,996,231</u>	<u>\$8,196,957</u>

The accompanying notes are an integral part of the financial statements.

**COMMUNITY HEALTHNET, INC.**

STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 659,386	\$ 382,367
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities		
Depreciation	238,308	151,206
(Increase) Decrease in:		
Accounts Receivable	97,788	(6,514)
Other Receivable	(7,400)	713
Grants Receivable	(342,388)	47,284
Prepaid Expenses	(12,542)	(10,956)
Increase (Decrease) in:		
Accounts Payable	(943,341)	917,394
Wrap Settlement - Payable	76,941	00
Payroll Withholdings Payable	15,968	(11,025)
Accrued Salaries and Wages	70,500	36,787
Deferred Revenue	<u>4,479</u>	<u>00</u>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>(142,301)</u>	<u>1,507,256</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payments for Purchases of Fixed Assets	(593,307)	(158,096)
Payments for Construction in Process	<u>00</u>	<u>(1,499,956)</u>
<b>NET CASH FLOW USED BY INVESTING ACTIVITIES</b>	<u>(593,307)</u>	<u>(1,658,052)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Additional Borrowings	1,147,252	198,537
Repayment of Note Payable	(368,882)	(101,179)
Repayment of Capital Leases	<u>(18,535)</u>	<u>00</u>
<b>NET CASH FLOW PROVIDED BY FINANCING ACTIVITIES</b>	<u>759,835</u>	<u>97,358</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	24,230	(53,438)
CASH - Beginning of Year	<u>344,386</u>	<u>397,824</u>
CASH - End of Year	\$ <u>368,616</u>	\$ <u>344,386</u>
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOWS INFORMATION</b>		
<b>CASH PAID DURING THE YEAR FOR:</b>		
Interest	\$ <u>133,971</u>	\$ <u>74,069</u>
<b>SCHEDULE OF NONCASH INVESTING AND FINANCING TRANSACTIONS</b>		
Building Construction Cost Acquired through Financing	\$ <u>454,683</u>	\$ <u>00</u>
Capital Lease Obligation Incurred for Use of Equipment	\$ <u>90,913</u>	\$ <u>00</u>

The accompanying notes are an integral part of the financial statements.

# COMMUNITY HEALTHNET, INC.

## NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Nature of Operations

Community HealthNet, Inc. is a not-for-profit corporation organized under the laws of the State of Indiana for the purpose of providing comprehensive primary and preventive health care and enabling services to infants, children, adults, and senior citizens who are medically under-served and unable to pay for services. The Organization has a primary location on Fifth Avenue in Gary, Indiana as well as satellite locations in Merrillville and Hammond, Indiana, the Miller and Glen Park Communities in Gary, Indiana, and in Calumet High School in Gary, Indiana. The Organization's main sources of funding are state and local agencies and patient revenue.

#### Use of Estimates in Preparation of Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### Financial Instruments and Credit Risk

The Organization is a health care center operating primarily in Northwest Indiana. As such, the Organization's accounts receivable are from patients within the same geographic region. The terms of the provision of services give rise to unsecured accounts receivable, as is common industry practice.

At December 31, 2019, the Organization has \$144,614 in financial institutions in excess of the Federal Deposit Insurance Corporations' (FDIC) insured level of \$250,000. The amount of potential exposure is computed based on the bank's statement balance at December 31, 2019 and is not adjusted for the outstanding checks and other in-transit items reflected in the Organization's records.

#### Cash

Cash, as presented on the accompanying balance sheets and statements of cash flows, includes cash on hand and deposits in interest bearing and non-interest bearing accounts in financial institutions.

#### Accounts Receivable

Accounts receivable are reduced by an allowance for doubtful accounts. In evaluating the collectability of accounts receivable, the Organization analyzes its past history and identifies trends for each of its major payer sources of revenue to estimate the appropriate allowance for doubtful accounts and provisions for uncollectible accounts. Management regularly reviews data about these major payer sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts.

# COMMUNITY HEALTHNET, INC.

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

For receivables associated with services provided to patients who have third-party coverage, the Organization analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for uncollectible accounts, if necessary (for example, for expected uncollectible deductibles and copayments on accounts for which the third-party payer has not yet paid, or for payers who are known to be having financial difficulties that make the realization of amounts due unlikely).

For receivables associated with self-pay patients (which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), the Organization records a significant provision for uncollectible accounts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates (or the discounted rates if negotiated or provided by the sliding fee or other policy) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts.

#### Property and Equipment

Property, equipment and improvements are carried at cost. Depreciation and amortization expense is computed using the straight-line method over the estimated useful life of the assets. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any gain or loss resulting from the transactions is recognized as income for the period. The cost of repairs and maintenance is charged to income as incurred; significant renewals and betterments are capitalized. The depreciation expense for the years ended December 31, 2019 and 2018 was \$238,308 and \$151,206, respectively. Property and equipment purchased with federal funds may be subject to regulations requiring return of the property to the funding source at time of disposition. The funding source may waive its right to have the property and equipment returned.

#### Income Taxes

Community HealthNet, Inc. is a not-for-profit corporation organized under the laws of the State of Indiana. The Internal Revenue Service has given the Organization a favorable determination under Section 501(c)(3) of the Internal Revenue Code, exempting the Organization from taxation. The Organization is not considered to be a private foundation.

#### Basis of Presentation

The Organization records resources for accounting and reporting purposes based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for a board-designated endowment.



# COMMUNITY HEALTHNET, INC.

## NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

*Net Assets With Donor Restrictions* – Net assets subject to donor-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.

#### Net Patient Service Revenue

Net patient service revenue is recognized at a point in time when services are rendered. The Organization has agreements with third-party payers that provide for payments to the Organization at amounts different from its established rates. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payers, and others for services rendered and includes estimated retroactive revenue adjustments. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered, and such estimated amounts are revised in future periods as adjustments become known.

#### Contributions and Pledges

Contributions are recognized at fair value when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Pledges and contributions received with donor restrictions that limit the use of the donated assets are reported as increases in net assets with donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose for which the donated assets were restricted is fulfilled, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been met. The Organization's federal and state contracts and grants are conditioned upon certain performance requirements and the incurrence of allowable qualifying expenses. Consequently, at December 31, 2019 and 2018, conditional contributions approximating \$654,025 and \$1,532,992, respectively, for which no amounts had been received in advance, have not been recognized in the accompanying consolidated financial statements.

#### Advertising

Advertising costs are included in operating expenses and are expensed as incurred. Advertising expense was \$68,720 and \$69,147 for the years ended December 31, 2019 and 2018, respectively.

#### Uncertain Income Tax Positions

When applicable, changes in benefits arising from current and prior tax positions taken by the Organization are recognized in the period in which the change occurs. Changes resulting from settlements with taxing authorities are recognized in the period that settlement occurs. Reductions in unrecognized tax benefits as a result of a lapse of the applicable statute of limitations are recognized in the period the statute lapses. Projected penalties and interest recognized on tax positions where it is reasonably possible that the Organization's tax position will not prevail in a review by taxing authorities is recognized as part of current period income tax expense. Management believes that the current and three prior tax periods remain subject to examination by taxing jurisdictions.

# COMMUNITY HEALTHNET, INC.

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

#### Functional Expense Allocation Methodology

The statements of functional expenses present expenses by function and natural classification. Expenses directly attributable to a specific functional area of the Organization are reported as expenses of those functional areas. The financial statements report certain categories of expenses that are attributable to one or more program or supporting functions of the Organization. Those expenses include depreciation and amortization, the administrative department, marketing and communications department, and the information technology department. Depreciation is allocated based on square footage, the administrative department's office is allocated based on estimate of time and effort, certain costs of the marketing and communications department are allocated based on estimates of time and effort, and the information technology department is allocated based on estimates of time and costs of specific technology utilized.

#### Liquidity Management

The Organization maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Organization invests cash in interest bearing accounts and has a line of credit it can draw upon if necessary.

### NOTE 2 - ACCOUNTING PRONOUNCEMENTS ADOPTED

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606). The ASU and all subsequently issued clarifying ASUs replaced most existing revenue recognition guidance in U.S. GAAP. The new guidance requires entities to recognize revenue based on the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU requires expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The Organization has adopted ASU 2014-09 as of January 1, 2019, using the modified retrospective approach, with no effect on net assets.

### NOTE 3 - ACCOUNTS RECEIVABLE

The detail of accounts receivable as reflected on the accompanying financial statements is as follows:

	<u>2019</u>	<u>2018</u>
Medicare	\$ 134,247	\$ 198,194
Medicaid	1,612,618	1,542,161
Other Third-party Payers	390,342	230,076
Self Pay	<u>290,169</u>	<u>338,560</u>
Gross Accounts Receivable	2,427,376	2,308,991
Less: Allowance for Uncollectible Accounts	<u>1,544,121</u>	<u>1,327,948</u>
Net Accounts Receivable	<u>\$ 883,255</u>	<u>\$ 981,043</u>

**COMMUNITY HEALTHNET, INC.**

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2019 AND 2018

NOTE 4 - GRANTS RECEIVABLE

The Organization records grants receivable at the time services are performed under the terms of a grant agreement. Grants receivable are generally from government or not-for-profit agencies. Grants receivable are considered past due after 90 days. Grants receivable at December 31, 2019 and 2018 totaling \$489,771 and \$147,383, respectively, are unsecured.

NOTE 5 - CONSTRUCTION IN PROCESS

At December 31, 2018 the Organization had two construction projects in process. The first project is the construction of a new clinic in the Glen Park section of Gary, Indiana. Construction on the clinic was completed in 2019 at a total cost of \$2,203,973.

The second project is remodeling of the leased facility located in Calumet High School. The remodeling project was completed in 2019 at a total cost of \$126,758.

A summary of costs incurred through December 31, 2018 by project is as follows:

	<u>Amount</u>
Glen Park Clinic	\$1,570,892
Calumet High School Leasehold Improvements	9,755
Total	<u>\$1,580,647</u>

NOTE 6 - ASSET RESTRICTIONS UNDER GRANT TERMS

Some of the Organization's fixed assets were purchased with grant funds. Contract agreements require that such fixed assets are to be used for grant purposes, and authorization is required prior to disposal.

NOTE 7 - NOTES PAYABLE

The Organization has the following notes payable at December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
First Financial Bank, 4.25% interest, monthly payments of \$5,547 including interest, due November 2020, secured by all property securing all notes with this lender. The carrying value of this property is \$4,808,986 at December 31, 2019.	\$ 239,524	\$ 294,470
First Financial Bank, 4.25% interest, monthly payments of \$10,282 including interest, due May 2024, secured by building with a carrying value of \$2,107,472 at December 31, 2019.	1,194,390	1,260,627

**COMMUNITY HEALTHNET, INC.**

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2019 AND 2018

NOTE 7 - NOTES PAYABLE CONTINUED

	<u>2019</u>	<u>2018</u>
First Financial Bank, 5.75% interest, monthly payments of \$8,054 including interest, due December 2024, secured by two buildings. The carrying value of this property is \$4,286,191 at December 31, 2019.	\$ <u>1,235,800</u>	\$ <u>    00</u>
Total Notes Payable	2,669,714	1,555,097
Less: Current Portion	<u>333,498</u>	<u>1,315,582</u>
Total Long Term Notes Payable	<u>\$2,336,216</u>	<u>\$ 239,515</u>

A summary of maturities over the next five years is as follows:

<u>Year Ending</u>	<u>Amount</u>
December 31, 2020	\$ 333,498
December 31, 2021	\$ 99,558
December 31, 2022	\$ 105,474
December 31, 2023	\$ 111,741
December 31, 2024	\$ 1,206,349

The Organization has the following notes payable – line of credit at December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
First Financial Bank, credit line up to \$600,000, variable interest, variable monthly payments, due August 2020, unsecured.	\$ <u>316,972</u>	\$ <u>198,537</u>

NOTE 8 - NET ASSETS WITH DONOR RESTRICTIONS

Cash as reported on the statements of financial position includes amounts which are restricted for specific purposes by the direction of the grantor. Items considered temporarily restricted are as follows:

<u>Grant</u>	<u>2019</u>	<u>2018</u>
OneSight Grant	\$ 3,037	\$ 43,500
U.S. Department of Health and Human Services	<u>    00</u>	<u>132,500</u>
Total	<u>\$ 3,037</u>	<u>\$176,000</u>

# COMMUNITY HEALTHNET, INC.

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

### NOTE 9 - NET PATIENT SERVICE REVENUE

The Organization recognizes patient service revenue associated with services provided to patients who have third-party payer coverage on the basis of contractual rates for the services rendered. For uninsured patients that do not qualify for the sliding fee program, the Organization recognizes revenue on the basis of its standard rates for services provided. On the basis of historical experience, a significant portion of the Organization's uninsured patients who do not qualify for the sliding fee program will be unable or unwilling to pay for the services provided. Thus, the Organization records a significant provision for uncollectible accounts related to uninsured patients who do not qualify for the sliding fee program in the period the services are provided. This provision for uncollectible accounts is presented on the statement of operations as a component of net patient service revenue.

The Organization is approved as a Federal Qualified Health Center (FQHC) for both Medicare and Medicaid reimbursement purposes. The Organization has agreements with third-party payers that provide for payments to the Organization at amounts different from its established rates. These payment arrangements include:

*Medicare* – Covered FQHC services rendered to Medicare program beneficiaries are under a prospective payment system (PPS). Medicare payment, including patient co-insurance, is paid based on the lesser of the Organization's actual charge or the applicable PPS rate. Services not covered under the FQHC benefit are paid based on established fee schedules.

*Medicaid* – Covered FQHC services rendered to Medicaid program beneficiaries are paid based on a prospective reimbursement methodology. The Organization is reimbursed a set encounter rate for all services provided under the plan. The encounter rate is updated annually based on the Medicare Economic Index (MEI).

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation and change. As a result, it is reasonably possible that recorded estimates will change materially in the near term.

The Organization has also entered into payment agreements with certain commercial insurance carriers. The basis for payment to the Organization under these agreements includes prospectively determined rates per unit of service and discounts from established charges.

Patient service revenue, net of contractual allowances and discounts (but before the provision for uncollectible accounts), recognized in the years ended December 31, 2019 and 2018, respectively were approximately:

	<u>2019</u>	<u>2018</u>
Medicare	\$ 331,264	\$ 296,089
Medicaid	2,370,465	2,188,079
Other Third-party Payers	2,962,127	2,787,321
Self Pay	<u>125,799</u>	<u>88,230</u>
Total Patient Service Revenue	<u>\$5,789,655</u>	<u>\$5,359,719</u>

# COMMUNITY HEALTHNET, INC.

## NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

### NOTE 10 - RENTAL INCOME

The Organization leases out portions of its building. The debt related to sections of the building being leased is \$157,659, and the carrying value at December 31, 2019 and 2018 is \$279,999 and \$294,178, respectively. Three leases are on a month-to-month basis for the years ending December 31, 2019 and 2018. Two leases began in 2011, and in 2015 one was extended to November 30, 2016, and the other to December 31, 2017. Another lease began July 2019. Rental income was \$72,100 and \$65,400 for the years ended December 31, 2019 and 2018, respectively.

### NOTE 11 - LEASE COMMITMENTS

The Organization leases its Miller Community location on a month-to-month basis. Monthly rent payments are \$2,500, plus annual maintenance charges. The rent expense for the years ended December 31, 2019 and 2018 was \$30,000 and \$22,500, respectively.

The Organization leases its Hammond location under a five-year lease through December 31, 2021, with an option to extend for one year. Monthly lease payments are \$4,763. The rent expense for the years ended December 31, 2019 and 2018 was \$57,150 and \$53,650, respectively.

During 2012, the Organization entered into a twenty-year lease for the Merrillville location. The lease terminates December 31, 2022 and has the option of two renewals of five years each. Current monthly lease payments are \$5,792. The rent expense for the years ended December 31, 2019 and 2018, net of refunds of common area maintenance fees, was \$70,034 and \$59,846, respectively.

Expected future minimum lease payments for these facilities for the remaining terms of the leases are as follows:

<u>Year Ending</u>	<u>Amount</u>
December 31, 2020	\$ 119,724
December 31, 2021	\$ 119,724
December 31, 2022	\$ 61,074

In 2019, the Organization started leasing certain equipment under capital leases. The economic substance of the leases is that the Organization is financing the acquisition of the assets through the leases. Accordingly, the Organization has capitalized equipment in the amount of \$90,913, less accumulated depreciation of \$12,879. Depreciation expense on the equipment was \$12,879 during the year ended December 31, 2019.

**COMMUNITY HEALTHNET, INC.**

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2019 AND 2018

NOTE 11 - LEASE COMMITMENTS CONTINUED

Minimum annual lease payments for the terms of the leases are as follows:

<u>Year Ending</u>	<u>Amount</u>
December 31, 2020	\$ 33,810
December 31, 2021	33,810
December 31, 2022	<u>11,270</u>
	78,890
Less: Interest	<u>6,512</u>
	72,378
Less: Current	<u>29,531</u>
Total Long Term Leases	<u>\$ 42,847</u>

NOTE 12 - INTEREST EXPENSE

Interest expense for the years ended December 31, 2019 and 2018 is as follows:

	<u>2019</u>	<u>2018</u>
Mortgage Interest classified as Occupancy Expense	\$116,698	\$ 71,159
Other Interest and Finance Charges	<u>17,780</u>	<u>2,910</u>
Total Interest Expense	<u>\$134,478</u>	<u>\$ 74,069</u>

NOTE 13 - SIGNIFICANT FUNDING SOURCE

The Organization recognized revenue of \$2,344,945 from the U.S. Department of Health and Human Services - Public Health Service through the Health Center Program Cluster in the current period. This amount is 23.5% of total revenues, gains and other support for the year ended December 31, 2019. Management has not assessed the effect that the loss of this funding would have on the continuing operations of the Organization.

**COMMUNITY HEALTHNET, INC.**

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2019 AND 2018

NOTE 14 - AVAILABILITY OF RESOURCES

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

	<u>2019</u>	<u>2018</u>
Cash	\$ 368,616	\$ 344,386
Accounts Receivable - Net of Allowance	883,255	981,043
Grants Receivable	489,771	147,383
Other Receivables	<u>10,476</u>	<u>3,076</u>
Total Financial Assets Available Within One Year	1,752,118	1,475,888
Less: Amounts Unavailable for General Expenditures Within One Year due to:		
Restricted by Donors With Purpose Restrictions	<u>3,037</u>	<u>176,000</u>
Total Financial Assets Available to Management for General Expenditures Within One Year	<u>\$1,749,081</u>	<u>\$1,299,888</u>

NOTE 15 - SUBSEQUENT EVENTS

In December 2019, an outbreak of a new strain of coronavirus, COVID-19, emerged in Wuhan, China. Within weeks, despite efforts to contain the virus in China that included widespread shutdowns of cities and businesses, the number of those infected grew significantly, and beyond China's borders. During the first quarter of 2020, the coronavirus is reported to have spread worldwide, including the United States. The virus continues to spread in the United States and it affects business operations, supply chains, business and leisure travel, commodity prices, consumer confidence and business sentiment, and as companies consider the impact on their businesses of employees working from home and consumers avoiding air travel, stores, restaurants, sports events and other venues, most businesses and industry sectors will be affected. The coronavirus outbreak is still evolving and its effects on the Organization cannot be reasonably determined.

The Company received \$1,034,500 in proceeds on April 20, 2020 from the Small Business Administration's (SBA) Paycheck Protection Program which was a result of the coronavirus (COVID-19) outbreak in the United States. The Paycheck Protection Program is a loan designed to provide an incentive for small businesses to keep workers on the payroll. The SBA will forgive loans if all employees are kept on the payroll for eight weeks after receiving the proceeds and the funds are used for payroll, rent, mortgage interest, or utilities. At least 75% of the forgiven amount must be used for payroll. Forgiveness will be reduced if full-time headcounts decline or if salaries and wages decrease. The loan has a maturity of two years and an interest rate of 1%. The loan required no collateral or personal guarantees.

Management has evaluated subsequent events through April 23, 2020, the date which the financial statements were available to be issued.



**SUPPLEMENTARY SCHEDULES**

**COMMUNITY HEALTHNET, INC.**

SCHEDULE OF GOVERNMENTAL FUNDING  
DECEMBER 31, 2019

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Program or Award Amount</u>	<u>Revenue Recognized</u>
<u>Federal Funds</u>			
Department of Health and Human Services			
Health Resources and Services Administration			
1/1/2019 to 12/31/2019			
Health Center Program	93.224	\$ 426,456	\$ 426,456
Ryan White Part C - Early Intervention Services (5/1/2018 - 4/30/2019)	93.918	\$ 300,000	52,225
Ryan White Part C - Early Intervention Services (5/1/2019 - 4/30/2020)	93.918	\$ 300,000	156,138
Ryan White Part C - Capacity Development and Planning Grants	93.918	\$ 150,000	97,835
Affordable Care Act Grants for Capital Development Grants for New and Expanded Services Under the Health Center Program	93.527	\$1,000,000	305,919
Substance Use Disorder - Mental Health Integrated Behavioral Health Services	93.527	\$1,106,536	1,373,852
Substance Use Disorder - Mental Health Integrated Behavioral Health Services	93.527	\$ 110,000	99,581
Substance Use Disorder - Mental Health Integrated Behavioral Health Services	93.527	\$ 167,000	54,000
Substance Use Disorder - Mental Health Integrated Behavioral Health Services	93.527	\$ 85,137	85,137
Department of Health and Human Services			
Indiana State Department of Health			
Project Grants and Cooperative Agreements for Promoting Integration of Primary and Behavioral Health Care			
9/30/2018 - 9/29/2019	93.243	\$ 600,000	278,079
9/30/2019 - 9/29/2020	93.243	\$ 535,960	146,942
Department of Health and Human Services			
Indiana State Department of Health			
Project Grants and Cooperative Agreements for Tuberculosis Control Programs			
	93.116	\$ 96,361	102,837
Department of Health and Human Services			
Indiana Family and Social Services Administration			
Temporary Assistance for Needy Families	93.558	\$ 360,000	<u>284,442</u>
Total Federal Funds			<u>3,463,443</u>
<u>State Funds</u>			
Indiana State Department of Health			
Primary Health Care Grant			
July 2017 - June 2019	n/a	\$ 407,000	101,750
July 2019 - June 2020		\$ 203,500	<u>101,750</u>
Total State Funds			<u>203,500</u>
TOTAL GOVERNMENTAL FUNDING			<u>\$3,666,943</u>

**COMMUNITY HEALTHNET, INC.**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
DECEMBER 31, 2019**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Program or Award Amount</u>	<u>Accounts Receivable January 1</u>	<u>Revenue</u>	<u>Expenses</u>	<u>Accounts Receivable December 31</u>
Department of Health and Human Services						
Health Resources and Services Administration						
1/1/2019 to 12/31/2019						
Health Center Program	93.224	\$ 426,456	\$ 00	\$ 426,456	\$ 426,456	\$ 00
Affordable Care Act Grants for Capital Development Grants for New and Expanded Services	93.527	\$1,000,000	00	305,919	305,919	00
Under the Health Center Program	93.527	\$1,106,536	00	1,373,852	1,373,852	72,943
Substance Use Disorder – Mental Health	93.527	\$ 110,000	00	99,581	99,581	00
Integrated Behavioral Health Services	93.527	\$ 167,000	00	54,000	54,000	54,000
QI Supplemental Award	93.527	\$ 85,137	<u>00</u>	<u>85,137</u>	<u>85,137</u>	<u>85,137</u>
Total Health Center Program Cluster			<u>00</u>	<u>2,344,945</u>	<u>2,344,945</u>	<u>212,080</u>
Ryan White Part C – Early Intervention Services (5/1/2018 – 4/30/2019)	93.918	\$ 300,000	00	52,225	52,225	00
Ryan White Part C – Early Intervention Services (5/1/2019 – 4/30/2020)	93.918	\$ 300,000	00	156,138	156,138	35,221
Ryan White Part C – Capacity Development and Planning Grants	93.918	\$ 150,000	<u>00</u>	<u>97,835</u>	<u>97,835</u>	<u>00</u>
Total Ryan White Part C Funds			<u>00</u>	<u>306,198</u>	<u>306,198</u>	<u>35,221</u>
Department of Health and Human Services						
Indiana State Department of Health						
Project Grants and Cooperative Agreements for Promoting Integration of Primary and Behavioral Health Care						
9/30/2018 – 9/29/2019	93.243	\$ 600,000	37,214	278,079	278,079	00
9/30/2019 – 9/29/2020	93.243	\$ 535,960	<u>00</u>	<u>146,942</u>	<u>146,942</u>	<u>146,942</u>
Total Project Grants and Cooperative Agreements for Promoting Integration of Primary and Behavioral Health Care			<u>37,214</u>	<u>425,021</u>	<u>425,021</u>	<u>146,942</u>
Department of Health and Human Services						
Indiana State Department of Health						
Project Grants and Cooperative Agreements for Tuberculosis Control Programs						
	93.116	\$ 96,361	<u>19,166</u>	<u>102,837</u>	<u>102,837</u>	<u>23,471</u>
Department of Health and Human Services						
Indiana Family and Social Services Administration						
Temporary Assistance for Needy Families	93.558	\$ 360,000	<u>00</u>	<u>284,442</u>	<u>284,442</u>	<u>38,961</u>
TOTAL FEDERAL AWARDS			<u>\$ 56,380</u>	<u>\$3,463,443</u>	<u>\$3,463,443</u>	<u>\$456,675</u>

# COMMUNITY HEALTHNET, INC.

## NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS DECEMBER 31, 2019

### NOTE 1 - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Community HealthNet, Inc. under programs of the federal government for the year ended December 31, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 2, *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 Community HealthNet, Inc., it is not intended to be and does not present the financial position, changes in net assets, or cash flows of Community HealthNet, Inc.

### 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 as to reimbursement. Community HealthNet, Inc. has elected to use the 10 percent de-minimus indirect cost rate as allowed under the Uniform Guidance.

### NOTE 3 - HEALTH CENTER PROGRAM

Community HealthNet, Inc. receives reimbursements of claims from U.S. Department of Health and Human Services. In general, the objective of the Health Center Program (HCP) is to provide to populations that would ordinarily not have access to health care (1) primary and preventive health services, (2) referrals to other services, such as hospital and substance abuse services, and (3) case management and other services designed to assist health center patients in establishing eligibility and gaining access to Federal, State, and local programs that provide additional medical, social, or educational support or enabling services, such as transportation, translation and outreach services, and patient education services. The HCP typically provides family-oriented primary and preventive health care services for people living in rural and urban medically underserved communities, e.g., those where economic, geographic or cultural barriers limit access to such services for a substantial portion of the population.

### NOTE 4 - AFFORDABLE CARE ACT GRANTS FOR CAPITAL DEVELOPMENT

Community HealthNet, Inc. receives reimbursements of claims from U.S. Department of Health and Human Services under the overall grants for new and expanded services under the health center program. The program's objective is to provide funds for immediate facility improvements or building capacity.

# COMMUNITY HEALTHNET, INC.

## NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS DECEMBER 31, 2019

### NOTE 5 - GRANTS FOR NEW AND EXPANDED SERVICES UNDER THE HEALTH CENTER PROGRAM

Community HealthNet, Inc. receives reimbursements of claims from U.S. Department of Health and Human Services. The program's objective is to provide for expanded and sustained national investment in health centers funded under section 330 of the Public Health Service Act, including expanding the current safety net on a national basis by creating new access points (i.e. new health centers and sites), expanding service provision and existing health centers, and expanding networks that facilitate health information technology-based quality improvements in health centers.

### NOTE 6 - SUBSTANCE USE DISORDER - MENTAL HEALTH

Community HealthNet, Inc. receives reimbursements of claims from U.S. Department of Health and Human Services under the overall grants for new and expanded services under the health center program. The program's objective is to implement and advance evidence-based strategies to expand access to integrated substance use disorder (SUD) and mental health services.

### NOTE 7 - INTEGRATED BEHAVIORAL HEALTH SERVICES

Community HealthNet, Inc. receives reimbursements of claims from U.S. Department of Health and Human Services under the overall grants for new and expanded services under the health center program. The program's objective is to support an increase in access to high quality integrated behavioral health services, including prevention or treatment of mental health conditions and/or substance use disorders.

### NOTE 8 - QUALITY IMPROVEMENT GRANT

Community HealthNet, Inc. receives reimbursements of claims from U.S. Department of Health and Human Services under the overall grants for new and expanded services under the health center program. The program's objective is to support the quality improvement activities of the health center. Such activities can include but are not limited to: developing and improving health center systems and infrastructure, including training staff; developing policies and procedures; enhancing health information technology, certified electronic health record and data systems; data analysis; and/or implementing targeting quality improvement activities.

### NOTE 9 - RYAN WHITE PART C - EARLY INTERVENTION SERVICES AND CAPACITY DEVELOPMENT PROGRAM GRANTS

Community HealthNet, Inc. receives reimbursements of claims from U.S. Department of Health and Human Services. Part C of the Ryan White HIV/AIDS Program provides grant funding to local community-based organizations to support outpatient ambulatory health service and support services through Early Intervention Services (EIS) program grants. Part C also funds planning grants, which help organizations more effectively deliver HIV care and services through Capacity Development grants.

## COMMUNITY HEALTHNET, INC.

### NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS DECEMBER 31, 2019

#### NOTE 10 - PRIMARY CARE BEHAVIORAL HEALTH INTEGRATED CARE SERVICES

Community HealthNet, Inc. receives reimbursements of claims from U.S. Department of Health and Human Services as a subgrantee from Indiana Family and Social Services Administration under the federal program of Temporary Assistance for Needy Families. The program's objective is to increase the integration of care between behavioral health and primary care; improve care coordination, quality and access; enhance access to the social determinants of health; improve population health; reduce per capita costs; and enhance staff and consumer experience of care. The program seeks to improve the health and well-being of adults with serious mental illnesses.

#### NOTE 11 - PROMOTING INTEGRATION OF PRIMARY AND BEHAVIORAL HEALTH CARE

Community HealthNet, Inc. receives reimbursements of claims from U.S. Department of Health and Human Services as a subgrantee from Indiana State Department of Health under the federal program for Substance Abuse and Mental Health Services Projects of Regional and National Significance. The program's objective is to integrate mental health care into primary care settings for special populations including mentally ill/seriously mentally ill adults and seriously emotionally disturbed children. This is done through developing and maintaining policies and procedures to ensure continuous measurable quality improvement in patient care, clinical processes, risk management and patient safety along with efficiency and effectiveness of clinical services and management.

#### NOTE 12 - PROJECT GRANTS AND COOPERATIVE AGREEMENTS FOR TUBERCULOSIS CONTROL PROGRAMS

Community HealthNet, Inc. receives reimbursements of claims from U.S. Department of Health and Human Services as a subgrantee from Indiana State Department of Health. The program objective is to assist State and local health agencies in carrying out tuberculosis (TB) control activities designed to prevent transmission of infection and disease. Financial assistance is provided to TB programs to ensure that the program needs for the core TB prevention and control activities are met: finding all cases of active tuberculosis and ensuring completion of therapy; finding and screening persons who have had contact with TB patients, evaluating them for TB infection and disease, and ensuring completion of appropriate treatment, and conducting TB surveillance and TB public health laboratory activities that are essential to addressing these priorities. Each of these core activities (completion of therapy, contact investigation, TB surveillance, and TB laboratory activities) is essential to effective TB prevention and control, and they are mutually reinforcing. Thus, they constitute a "package" of core activities. These are the highest priority TB prevention and control activities and should be carried out by all State and local TB prevention and control programs.

# COMMUNITY HEALTHNET, INC.

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED DECEMBER 31, 2019

### A. SUMMARY OF RESULTS

1. The auditors' report expresses an unqualified opinion on the financial statements of Community HealthNet, Inc.
2. No significant deficiencies relating to the audit of the financial statements are reported in the Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.
3. No instances of non-compliance material to the financial statements of Community HealthNet, Inc. were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the *Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by Uniform Guidance*.
5. The auditors' report on compliance for the major federal award programs for Community HealthNet, Inc. expresses an unqualified opinion.
6. Audit findings that are required to be reported in accordance with 2CFR Section 200, 516(a) are included in this schedule.
7. The programs tested as major programs are as follows:

<u>Department</u>	<u>Program</u>	<u>CFDA#</u>
U.S. Department of Health and Human Services	Health Resources and Services Administration - Health Center Program	#93.224
U.S. Department of Health and Human Services	Grants for New and Expanded Services Under the Health Center Program	#93.527

8. The threshold for distinguishing Types A and B programs was \$750,000.
9. Community HealthNet, Inc. was determined to be a low-risk auditee.

# COMMUNITY HEALTHNET, INC.

## EXIT CONFERENCE

An exit conference was held with representatives of the Community HealthNet, Inc. on April 27, 2020 via conference video.

### COMMUNITY HEALTHNET, INC.

DON BATES, CPA	BOARD CHAIR
CHARIUS ANDERSON	BOARD VICE CHAIR
DR. JANET SEABROOK	CEO
BERYL FITZPATRICK	CHIEF STRATEGY OFFICER
IDA GILLIS	TREASURER
KRIS PROHL	FINANCE COMMITTEE MEMBER
JAMES MEYER	ATTORNEY
ADRIENNE HURTT	INTERIM CHIEF FINANCIAL OFFICER
PATRICIA JOHNSON-GREER	CONTROLLER
RISE RATNEY	FINANCE COMMITTEE MEMBER
DELTA JONES-WALKER	FINANCE COMMITTEE MEMBER

### AUDIT ORGANIZATION REPRESENTATIVE

RICHARD A. YOUNG	PRINCIPAL
RUTH BEST	AUDIT MANAGER