FINANCIAL STATEMENTS

and

Supplementary Information and Reports in Accordance
with *Government Auditing Standards* and the Uniform Guidance

December 31, 2019

With Independent Auditor's Report

BerryDunn

## INDEPENDENT AUDITOR'S REPORT

Board of Directors
Regional Medical Center at Lubec

### Report on Financial Statements

We have audited the accompanying financial statements of Regional Medical Center at Lubec (the Organization), which comprise the balance sheet as of December 31, 2019, and the related statements of operations and changes in net assets and cash flows for the year then ended, and the related notes to the financial statements.

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

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

### *Auditor's Responsibility*

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

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

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

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Regional Medical Center at Lubec as of December 31, 2019, and the results of its operations, changes in its net assets, and its cash flows for the year then ended, in accordance with U.S. generally accepted accounting principles.

### *Change in Accounting Principle*

As discussed in Note 1 to the financial statements, during the year ended December 31, 2019, the Organization adopted new accounting guidance, Financial Accounting Standards Board Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* and related guidance. Our opinion is not modified with respect to this matter.

### *Other Matters*

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*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. 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 June 24, 2020 on our consideration of Regional Medical Center at Lubec's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Regional Medical Center at Lubec'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 Regional Medical Center at Lubec's internal control over financial reporting and compliance.

Berry Dunn McNeil & Parker, LLC

Portland, Maine
June 24, 2020

## REGIONAL MEDICAL CENTER AT LUBEC

### Balance Sheet

### December 31, 2019

### ASSETS

| | |
|---|---|
| Current assets | |
| Cash and cash equivalents | $ 1,240,168 |
| Patient accounts receivable | 302,272 |
| Grants and other receivables | 95,337 |
| Due from third-party payers | 28,430 |
| Prepaid expenses | 69,497 |
| Total current assets | 1,735,704 |
| Property and equipment, net | 355,534 |
| Certificates of deposit | 602,981 |
| Total assets | $ 2,694,219 |

### LIABILITIES AND NET ASSETS

| | |
|---|---|
| Current liabilities | |
| Accounts payable and accrued expenses | $ 86,269 |
| Accrued payroll and related expenses | 290,867 |
| Due to third-party payers | 19,874 |
| Deferred revenue | 23,000 |
| Total current liabilities and total liabilities | 420,010 |
| Net assets | |
| Without donor restrictions | 2,274,209 |
| Total liabilities and net assets | $ 2,694,219 |

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

## REGIONAL MEDICAL CENTER AT LUBEC

### Statement of Operations and Changes in Net Assets

### Year Ended December 31, 2019

| | Medical Center | Sunrise County Home Care | Total Healthcare Services | Administration and Support Services | Total |
|---|---|---|---|---|---|
| Operating revenue | | | | | |
| Net patient service revenue | $ 2,193,255 | $ 696,415 | $ 2,889,670 | $ - | $ 2,889,670 |
| Grants and contributions | 1,864,633 | - | 1,864,633 | - | 1,864,633 |
| Other operating revenue | 173,444 | 14 | 173,458 | - | 173,458 |
| Total operating revenue | 4,231,332 | 696,429 | 4,927,761 | - | 4,927,761 |
| Operating expenses | | | | | |
| Salaries and wages | 2,129,077 | 311,838 | 2,440,915 | 318,138 | 2,759,053 |
| Benefits | 444,342 | 50,200 | 494,542 | 66,396 | 560,938 |
| Other operating expenses | 222,629 | 31,584 | 254,213 | 33,266 | 287,479 |
| Contract services | 378,024 | 17,012 | 395,036 | 56,486 | 451,522 |
| Program supplies | 291,774 | 9,495 | 301,269 | - | 301,269 |
| Occupancy | 95,514 | - | 95,514 | 14,272 | 109,786 |
| Depreciation | 48,719 | - | 48,719 | 7,280 | 55,999 |
| | 3,610,079 | 420,129 | 4,030,208 | 495,838 | 4,526,046 |
| Allocation of indirect cost | 363,876 | 131,962 | 495,838 | (495,838) | - |
| Total operating expenses | 3,973,955 | 552,091 | 4,526,046 | - | 4,526,046 |
| Excess of revenue over expenses and increase in net assets without donor restrictions | 257,377 | 144,338 | 401,715 | - | 401,715 |
| Net assets, beginning of year | 1,421,369 | 451,125 | 1,872,494 | - | 1,872,494 |
| Net assets, end of year | $ 1,678,746 | $ 595,463 | $ 2,274,209 | $ - | $ 2,274,209 |

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

**REGIONAL MEDICAL CENTER AT LUBEC**

**Statement of Cash Flows**

**Year Ended December 31, 2019**

| | |
|---|---|
| Cash flows from operating activities | |
| Change in net assets | $ 401,715 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities | |
| Depreciation | 55,999 |
| Foreign exchange loss | 23,067 |
| (Increase) decrease in the following assets | |
| Patient accounts receivable | (97,301) |
| Grants and other receivables | 46,101 |
| Due from third-party payers | (13,430) |
| Prepaid expenses | (9,807) |
| Increase (decrease) in the following liabilities | |
| Accounts payable and accrued expenses | (4,888) |
| Accrued payroll and related expenses | 12,096 |
| Deferred revenue | (3,000) |
| Net cash provided by operating activities | 410,552 |
| Cash flows from investing activities | |
| Purchase of and reinvested interest from certificates of deposit | (302,642) |
| Purchase of capital assets | (68,785) |
| Net cash used by investing activities | (371,427) |
| Net increase in cash and cash equivalents | 39,125 |
| Cash and cash equivalents, beginning of period | 1,201,043 |
| Cash and cash equivalents, end of period | $ 1,240,168 |

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

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

### Organization

Regional Medical Center at Lubec (the Organization) is a not-for-profit corporation organized in Maine. The Organization is a Federally Qualified Health Center (FQHC) with the primary purpose of providing medical, dental and other health and community services in Washington County, Maine and its surrounding communities through the Medical Center. Programs offered by the Organization serve the needs of adults, teenagers, and children. The Organization also provides substance abuse and mental health counseling, and offers several patient community educational programs. Sunrise County Home Care, a separate division, also provides home health care services.

### Basis of Presentation

The financial statements of the Organization have been prepared in accordance with U.S. generally accepted accounting principles (U.S. GAAP), which requires the Organization to report information in the financial statements according to the following net asset classifications:

**Net assets without donor restrictions:** Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the Board of Directors.

**Net assets with donor restrictions:** Net assets subject to stipulations imposed by donors and grantors. There were no net assets with donor restrictions at December 31, 2019.

### Use of Estimates

The preparation of 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 financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### Income Taxes

The Organization is a public charity under Section 501(c)(3) of the Internal Revenue Code. As a public charity, the Organization is exempt from state and federal income taxes on income earned in accordance with its tax-exempt purpose. Unrelated business income is subject to state and federal income tax. Management has evaluated the Organization’s tax positions and concluded that the Organization has no unrelated business income or uncertain tax positions that require adjustment to the financial statements.

## Cash and Cash Equivalents

Cash and cash equivalents consist of demand deposits.

The Organization has other cash deposits in major financial institutions which exceed federal depository insurance limits. The Organization has not experienced losses in such accounts and management believes the credit risk related to these deposits is minimal.

## Certificates of Deposit

Certificates of deposit consist of deposits at local banks with maturities of 12 to 19 months, at interest rates ranging from 1.25% to 2%. These are valued at cost, which approximates fair value.

The Organization has certificates of deposit held by Royal Bank of Canada in the amount of $152,138 (in U.S. dollars) as of December 31, 2019. The Organization does not have a policy for foreign currency exchange rate risk and believes that it is not exposed to significant risk.

## Revenue Recognition and Patient Accounts Receivable

In 2019, the Organization adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers* (Topic 606), and related guidance, which provide guidance for revenue recognition. These standards' core principle is that an Organization will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. The most significant change from the adoption of the new standards relates to the presentation of implicit price concessions. Under the previous standards, the estimate for amounts not expected to be collected based upon historical experience, was reflected as provision for bad debts, and presented separately as an offset to net patient service revenue. Under the new standards, the estimate for amounts not expected to be collected based on historical experience will continue to be recognized as a reduction to net revenue, but not reflected separately as provision for bad debts. The Organization has adopted the provisions of ASU No. 2014-09 for the year ended December 31, 2019.

Patient service revenue is reported at the amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing patient care. These amounts are due from patients and third-party payers (including commercial insurers and governmental programs). Generally, the Organization bills the patients and third-party payers several days after the services are performed. Revenue is recognized as performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided by the Organization. The Organization measures the performance obligations as follows:

- Medical, dental and ancillary services are measured from the commencement of a face-to-face encounter with a patient to the completion of the encounter. Ancillary services provided the same day as the face-to-face encounter are considered to be part of the performance obligation and are not deemed to be separate performance obligations.
- Contract pharmacy services are measured when the prescription is dispensed to the patient.
- Home health care services are provided over 60 day episodes of care and are measured from the patient's admission to the point when services are no longer required to be provided, which is generally at the time of discharge.

The majority of the Organization's performance obligations are satisfied at a point in time, with the exception of home health care services, which are recognized over each 60 day episode of care.

The Organization determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payers, discounts provided to uninsured patients in accordance with the Organization's sliding fee discount program, and implicit price concessions provided to uninsured patients.

Consistent with the Organization's mission and FQHC designation, care is provided to patients regardless of their ability to pay. Therefore, the Organization has determined it has provided implicit price concessions to uninsured patients and patients with other uninsured balances (for example, copays and deductibles). The implicit price concessions included in estimating the transaction price represent the difference between amounts billed to patients and amounts the Organization expects to collect based on its collection history with those patients.

The Organization determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policies, and historical experience. The Organization determines its estimate of implicit price concessions based on its historical collection experience.

The Organization has determined that the nature, amount, timing and uncertainty of revenue and cash flows are affected by the payer. In assessing collectability, the Organization has elected the portfolio approach. The portfolio approach is being used as the Organization has a large volume of similar contracts with similar classes of customers (patients). The Organization reasonably expects that the effect of applying a portfolio approach to a group of contracts would not differ materially from considering each contract separately. Management's judgment to group the contracts by portfolio is based on the payment behavior expected in each portfolio category. As a result, aggregating all the contracts (which are at the patient level) by the particular payer or group of payers will result in the recognition of the same amount of revenue as applying the analysis at the individual patient level. A table detailing the payers is presented in Note 5.

A summary of the payment arrangements with major third-party payers follows:

Medicare

The Organization is primarily reimbursed for medical center services based on the lesser of actual charges or prospectively set rates for a medically necessary face-to-face encounter furnished to a Medicare beneficiary. Certain other services are reimbursed based on fee-for-service rate schedules. The Organization is reimbursed for home health care services to clients eligible for Medicare home health benefits on a prospective basis for a 60 day episode of care. The prospective payment is based on the scoring attributed to the acuity level of the client at a rate determined by federal guidelines.

Medicaid

The Organization is primarily reimbursed for medical center services based on prospectively set rates for a medically necessary face-to-face encounter furnished to a Medicaid beneficiary. Certain other services are reimbursed based on fee-for-service rate schedules.

Other Payers

The Organization has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. Under these arrangements, the Organization is reimbursed for medical center services based on contractually obligated payment rates for each Current Procedural Terminology code, which may be less than the Organization's public fee schedule and the Organization is reimbursed for home health care services based on per visit rates, which may be less than the Organization's public fee schedule.

Uninsured Patients

For uninsured patients who do not qualify under the Organization's sliding fee discount program, the Organization bills the patient based on the Organization's standard rates for services provided.

The Organization provides care to patients who meet certain criteria under its sliding fee discount program. The Organization estimates the costs associated with providing this care by calculating the ratio of total cost to total charges, and then multiplying that ratio by the gross uncompensated charges associated with providing care to patients eligible for the sliding fee discount program. The estimated cost of providing services to patients under the Organization's sliding fee discount program amounted to $308,485 for the year ended December 31, 2019. The Organization is able to provide these services with a component of funds received through federal and state grants.

340B Pharmacy Program Revenue

The Organization, as an FQHC, is eligible to participate in the 340B Drug Pricing Program. This program requires drug manufacturers to provide outpatient drugs to FQHCs and other covered entities at a reduced price. The Organization contracts with local pharmacies under this program. The contract pharmacies dispense drugs to eligible patients of the Organization and bill Medicare and commercial insurances on behalf of the Organization. Reimbursement received by the contract pharmacies is remitted to the Organization, less dispensing and administrative fees. The Organization recognizes revenue in the amounts that reflect the consideration to which it expects to be entitled in exchange for the prescription.

Laws and regulations governing the Medicare, Medicaid and 340B programs are complex and subject to interpretation. Management believes that the Organization is in compliance with all laws and regulations. Compliance with such laws and regulations can be subject to future government review and interpretation, as well as significant regulatory action including fines, penalties and exclusion from the Medicare, Medicaid and 340B programs. Differences between amounts previously estimated and amounts subsequently determined to be recoverable or payable are included in patient service revenue in the year that such amounts become known.

Patient Accounts Receivable

Patient accounts receivable are stated at the amount management expects to collect from outstanding balances.

The Organization grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payer agreements. The percentage of accounts receivable from patients and third-party payers were as follows:

| | |
|---|---|
| Governmental plans: | |
| Medicare | 30 % |
| Medicaid | 9 % |
| Commercial payers | 36 % |
| Patient | 25 % |
| Total | 100 % |

**Grants Receivable**

Grants receivable are stated at the amount management expects to collect from outstanding balances. All such amounts are considered collectible.

The Organization receives a significant amount of grants from the U.S. Department of Health and Human Services (DHHS). As with all government funding, these grants are subject to reduction or termination in future years. For the year ended December 31, 2019, grants from DHHS (including both direct awards and awards passed through other organizations) represented approximately 95%, of grants and contributions revenue.

## Property and Equipment

Property and equipment are carried at cost less accumulated depreciation. Maintenance, repairs and minor renewals are expensed as incurred and renewals and betterments are capitalized. Provision for depreciation is computed using the straight-line method over the useful lives of the related assets. Property and equipment costing less than $5,000 is charged to expense upon purchase.

## Deferred Revenue

Deferred revenue represents grant funds received for which revenue has not been earned.

## Contributions

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received, which is then treated as cost. The gifts are reported as net assets with donor restrictions if they are received with donor stipulations that limit use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the statements of operations as net assets released from restriction.

In 2019, the Organization adoption ASU No. 2018-08, *Not-for-Profit Entities* (Topic 958), *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU No. 2018-08 applies to all entities that receive or make contributions and clarifies the definition of transactions accounted for as an exchange transaction subject to ASU No. 2014-09 or other applicable guidance, and transactions that should be accounted for as contributions (non-exchange transactions) subject to the contribution accounting model. Further, ASU No. 2018-08 provides criteria for evaluating whether contributions are unconditional or conditional. Conditional contributions must specify a barrier that the recipient must overcome and a right of return that releases the donor from its obligation if the barrier is not achieved, otherwise the contribution is unconditional.

## Functional Allocation of Expenses

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Given the Organization is a service organization, expenses are allocated between healthcare services and administrative and support services based on the percentage of direct care wages to total wages, with the exception of program supplies which are 100% healthcare in nature.

### Excess of Revenue Over Expenses

The statement of operations and changes in net assets reflect the excess of revenue over expenses. Changes in net assets without donor restriction which are excluded from the excess of revenue over expenses are grants and contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purposes of acquiring such assets).

### Subsequent Events

On March 11, 2020, the World Health Organization declared coronavirus disease (COVID-19) a global pandemic. Governments have mandated the temporary shut-down of business in many sectors and imposed limitations on travel. Most sectors are experiencing disruption to business operations. There is unprecedented uncertainty surrounding the duration of the pandemic, its potential economic ramifications, and the extent of government actions to mitigate them. While management believes this matter may negatively impact its operating results, the related financial impact and duration cannot be reasonably estimated at this time.

On March 27, 2020 the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), was enacted into law. The Organization obtained loans amounting to $545,600 under the CARES Act. The loans were intended to cover 8 weeks of payroll during May and June, but have recently been extended to 24 weeks. If certain provisions are met by December 31, 2020, the loans may be forgiven. Amounts not forgiven, if any, are currently repayable over two years with interest at 1% and six month deferred payment. The Organization has also received approximately $1,300,000 from a number of stimulus payments and Federal grants under the CARES Act to support ongoing operations as well as COVID related expenses through March 2021.

For financial reporting purposes, subsequent events have been evaluated by management through June 24, 2020, which is the date the financial statements were available to be issued. Management has not evaluated subsequent events after that date for inclusion in the financial statements.

## 2. Availability and Liquidity of Financial Assets

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments. The Organization has various sources of liquidity at its disposal, including cash and cash equivalents, certificates of deposit and a line of credit.

The Organization had working capital of $1,315,694 at December 31, 2019. The Organization had average days cash and cash equivalents on hand (based on normal expenditures) of 101 at December 31, 2019.

Financial assets available for general expenditure within one year were as follows:

| | |
|---|---|
| Cash and cash equivalents | $ 1,240,168 |
| Patient accounts receivable | 302,272 |
| Grants and contracts receivable | 95,337 |
| Due from third-party payers | 28,430 |
| Financial assets available for current use | $ 1,666,207 |

The Organization's goal is generally to meet the Health Resources and Services Administration recommended days cash on hand of 120 days.

The Organization has an available $150,000 line of credit as described in Note 4.

## 3. Property and Equipment

Property and equipment consisted of the following:

| | |
|---|---|
| Land and improvements | $ 183,604 |
| Building and improvements | 1,685,229 |
| Furniture, fixtures, and equipment | 1,424,462 |
| Total cost | 3,293,295 |
| Less accumulated depreciation | 2,937,761 |
| Property and equipment, net | $ 355,534 |

## 4. Line of Credit

The Organization has an unsecured $150,000 line of credit with a local bank through October 2020, with interest at prime plus 2% (6.75% at December 31, 2019). There was no outstanding balance at December 31, 2019.

## 5. Patient Service Revenue

Patient service revenue was as follows:

| | Medical and Dental Services | Home Health Care Services | Total |
|---|---|---|---|
| Governmental payers: | | | |
| Medicare | $ 593,730 | $ 633,439 | $ 1,227,169 |
| Medicaid | 487,397 | 28,360 | 515,757 |
| Commercial payers | 468,251 | 34,163 | 502,414 |
| Patient | 84,549 | 453 | 85,002 |
| Net direct patient service revenue | 1,633,927 | 696,415 | 2,330,342 |
| 340B contract pharmacy revenue | 559,328 | - | 559,328 |
| Total net patient service revenue | $ 2,193,255 | $ 696,415 | $ 2,889,670 |

## 6. Retirement Plan

The Organization maintains a defined contribution retirement plan, which covers substantially all full-time employees. Retirement expense for the year ended December 31, 2019 was $46,903.

## 7. Malpractice Insurance

The Organization is protected from medical and dental malpractice risk as an FQHC under the Federal Tort Claims Act (FTCA). The Organization has additional medical malpractice insurance, on a claims-made basis, for coverage outside the scope of the protection of the FTCA. As of December 31, 2019, there were no known malpractice claims outstanding which in the opinion of management will be settled for amounts in excess of both FTCA and additional medical malpractice insurance coverage; nor are there any unasserted claims or incidents which require loss accrual. The Organization intends to renew the additional medical malpractice insurance coverage on a claims-made basis and anticipates that such coverage will be available.

The Organization insures its home health care malpractice risks on a claims-made basis. There were no known malpractice claims outstanding at December 31, 2019 which, in the opinion of management, will be settled for amounts in excess of insurance coverage; nor are there any unasserted claims or incidents which require loss accrual. The Organization intends to renew coverage on a claims-made basis and anticipates that such coverage will be available.

# SUPPLEMENTARY INFORMATION

**REGIONAL MEDICAL CENTER AT LUBEC**

**Schedule of Expenditures of Federal Awards**

**Year Ended December 31, 2019**

| Federal Grantor/Pass-Through Grantor/Program Title | Federal CFDA Number | Pass-Through Contract Number | Amount Passed Through to Subrecipients | Total Federal Expenditures |
|---|---|---|---|---|
| United States Department of Health and Human Services: | | | | |
| *Direct:* | | | | |
| *Health Center Program Cluster* | | | | |
| Consolidated Health Centers (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care) | 93.224 | | $ - | $ 275,320 |
| Affordable Care Act (ACA) Grants for New and Expanded Services Under the Health Center Program | 93.527 | | - | 1,149,586 |
| Total Health Center Program Cluster | | | - | 1,424,906 |
| Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease | 93.918 | | 75,045 | 321,851 |
| Total Expenditures of Federal Awards | | | $ 75,045 | $ 1,746,757 |

The accompanying notes are an integral part of this schedule.

**REGIONAL MEDICAL CENTER AT LUBEC**

**Notes to Schedule of Expenditures of Federal Awards**

**Year Ended December 31, 2019**

## 1. Summary of Significant Accounting Policies

Expenditures reported on the schedule of expenditures of federal awards (the Schedule) are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), wherein certain types of expenditures are not allowable or are limited as to reimbursement.

## 2. De Minims Indirect Cost Rate

Regional Medical Center at Lubec (the Organization) has elected not to use the 10% de minims indirect cost rate allowed under the Uniform Guidance. The Organization has received a Federal Indirect Rate of 13%.

## 3. Basis of Presentation

The Schedule includes the federal grant activity of the Organization. The information in this Schedule is presented in accordance with the requirements of the Uniform Guidance. Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

BerryDunn

**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
Regional Medical Center at Lubec

We have audited, in accordance with U.S. generally accepted auditing standards 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 Regional Medical Center at Lubec (the Organization), which comprise the balance sheet as of December 31, 2019, and the related statements of operations and changes in net assets and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 24, 2020.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the auditing 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 the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Board of Directors
Regional Medical Center at Lubec

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Berry Dunn McNeil & Parker, LLC

Portland, Maine
June 24, 2020

BerryDunn

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

Board of Directors
Regional Medical Center at Lubec

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

We have audited Regional Medical Center at Lubec's (the Organization) compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on its major federal program for the year ended December 31, 2019. The Organization's major federal program is 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 the Organization's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; 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 the Organization'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 the major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

***Opinion on the Major Federal Program***

In our opinion, Regional Medical Center at Lubec 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 December 31, 2019.

Board of Directors
Regional Medical Center at Lubec

**Report on Internal Control Over Compliance**

Management of the Organization 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, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for the 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 the Organization'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.

Berry Dunn McNeil & Parker, LLC

Portland, Maine
June 24, 2020

**REGIONAL MEDICAL CENTER AT LUBEC**

**Schedule of Findings and Questioned Costs**

**Year Ended December 31, 2019**

**Section 1. 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 weakness(es)? | ☐ | Yes | ☑ | None reported |
| Noncompliance material to financial statements noted? | ☐ | Yes | ☑ | No |

**Federal Awards**

| | | | | |
|---|---|---|---|---|
| Internal control over major programs: | | | | |
| Material weakness(es) identified: | ☐ | Yes | ☑ | No |
| Significant deficiency(ies) identified that are not considered to be material weakness(es)? | ☐ | Yes | ☑ | None reported |
| Type of auditor's report issued on compliance for major programs: | | | | Unmodified |
| Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | ☐ | Yes | ☑ | No |

Identification of major programs:

| CFDA Number | Name of Federal Program or Cluster |
|---|---|
| | Health Center Program Cluster |

| | | | | |
|---|---|---|---|---|
| Dollar threshold used to distinguish between Type A and Type B programs: | | $750,000 | | |
| Auditee qualified as low-risk auditee? | ☑ | Yes | ☐ | No |

2. **Financial Statement Findings**

None

3. **Federal Award Findings and Questioned Costs**

None