

**VISITING NURSE ASSOCIATION  
OF CENTRAL JERSEY  
COMMUNITY HEALTH CENTER, INC.  
Financial Statements  
and Additional Information  
December 31, 2019 and 2018  
With Independent Auditor's Reports**

**Visiting Nurse Association of Central Jersey  
Community Health Center, Inc.  
December 31, 2019 and 2018**

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<b>Independent Auditor's Report</b>	1-2
<b>Financial Statements</b>	
Statements of Financial Position	3
Statements of Activities and Changes in Net Assets (Deficiency)	4
Statements of Cash Flows	5
Notes to Financial Statements	6-18
<b>Additional Information</b>	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	19-20
Report on Compliance for Each Major Federal and State Program; Report on Internal Control Over Compliance in Accordance with Uniform Guidance and New Jersey Department Of Treasury Circular Letter 15-08 OMB	21-22
Schedule of Findings and Questioned Costs	23-25
Schedule of Expenditures of Federal Awards and State Financial Assistance	26-27
Notes to Schedule of Expenditures of Federal Awards and State Financial Assistance	28
Schedule of Budgeted and Actual Expenditures U.S. Department of Health and Human Services Ryan White Part C Outpatient EIS Program	29

## INDEPENDENT AUDITOR'S REPORT

The Board of Trustees,  
Visiting Nurse Association of Central Jersey  
Community Health Center, Inc.:

### Report on the Financial Statements

We have audited the accompanying financial statements of Visiting Nurse Association of Central Jersey Community Health Center, Inc. (the "Center") which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities and changes in net assets (deficiency) 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 the Center as of December 31, 2019 and 2018, and the changes in net assets (deficiency) and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis of Matter**

As discussed in Note 1 to the financial statements, in 2019 the Center changed the manner in which it accounts for revenues from contracts with customers as a result of adopting Accounting Standards Update (“ASU”) No. 2014-09, *Revenue from Contracts with Customers*. Our opinion is not modified with respect to this matter.

### **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 and state financial assistance is presented for purposes of additional analysis as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”) and the New Jersey Department of Treasury Circular Letter 15-08 OMB, and is not a required part of the financial statements. The schedule of budgeted and actual expenditures is presented for additional analysis as required by the Department of Health and Human Services. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 9, 2020, on our consideration of the Center’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 the Center’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 the Center’s internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "Withum Smith & Brown, PC".

September 9, 2020

**Visiting Nurse Association of Central Jersey  
Community Health Center, Inc.  
Statements of Financial Position  
December 31, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 343,601	\$ 146,728
Patient accounts receivable, net	287,657	167,975
Medicaid wraparound receivables, net	331,905	967,915
Grants and other receivables	243,403	170,531
Prepaid expenses and other current assets	<u>139,052</u>	<u>242,409</u>
Total current assets	1,345,618	1,695,558
Property and equipment, net	<u>1,182,859</u>	<u>1,151,408</u>
Total assets	<u>\$ 2,528,477</u>	<u>\$ 2,846,966</u>
<b>Liabilities and Net Assets (Deficiency)</b>		
Current liabilities		
Line of credit	\$ 79,714	\$ 146,693
Accounts payable	373,951	366,226
Accrued expenses	732,805	571,923
Due to related parties	<u>1,204,194</u>	<u>981,984</u>
Total current liabilities	2,390,664	2,066,826
Working capital advance	<u>500,650</u>	<u>-</u>
Total liabilities	<u>2,891,314</u>	<u>2,066,826</u>
Net assets (deficiency)		
Without donor restrictions	(371,678)	771,299
With donor restrictions	<u>8,841</u>	<u>8,841</u>
Total net assets (deficiency)	<u>(362,837)</u>	<u>780,140</u>
Total liabilities and net assets (deficiency)	<u>\$ 2,528,477</u>	<u>\$ 2,846,966</u>

The Notes to Financial Statements are an integral part of these statements.

**Visiting Nurse Association of Central Jersey  
Community Health Center, Inc.  
Statements of Activities and Changes in Net Assets (Deficiency)  
Years Ended December 31, 2019 and 2018**

	2019			2018		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue and other support						
Net patient service revenue	\$ 2,447,263	\$ -	\$ 2,447,263	\$ 1,824,667	\$ -	\$ 1,824,667
Premium revenue (capitation)	549,125	-	549,125	559,054	-	559,054
Medicaid wraparound revenue, net	1,166,134	-	1,166,134	905,525	-	905,525
340B pharmacy revenue, net	219,203	-	219,203	521,094	-	521,094
Federal, state, and local grants	3,086,948	-	3,086,948	3,139,219	-	3,139,219
Other revenue and support	1,289,884	-	1,289,884	209,505	-	209,505
Total revenue and other support	<u>8,758,557</u>	<u>-</u>	<u>8,758,557</u>	<u>7,159,064</u>	<u>-</u>	<u>7,159,064</u>
Expenses						
Salaries and benefits	7,081,752	-	7,081,752	5,646,822	-	5,646,822
Other than personnel services	2,595,199	-	2,595,199	1,583,081	-	1,583,081
Depreciation	213,166	-	213,166	149,997	-	149,997
Interest	11,417	-	11,417	7,394	-	7,394
Total expenses	<u>9,901,534</u>	<u>-</u>	<u>9,901,534</u>	<u>7,387,294</u>	<u>-</u>	<u>7,387,294</u>
Changes in net assets (deficiency)	(1,142,977)	-	(1,142,977)	(228,230)	-	(228,230)
Net assets, beginning of year	<u>771,299</u>	<u>8,841</u>	<u>780,140</u>	<u>999,529</u>	<u>8,841</u>	<u>1,008,370</u>
Net assets (deficiency), end of year	<u>\$ (371,678)</u>	<u>\$ 8,841</u>	<u>\$ (362,837)</u>	<u>\$ 771,299</u>	<u>\$ 8,841</u>	<u>\$ 780,140</u>

The Notes to Financial Statements are an integral part of these statements.

**Visiting Nurse Association of Central Jersey  
Community Health Center, Inc.  
Statements of Cash Flows  
Years Ended December 31, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
<b>Operating activities</b>		
Changes in net assets (deficiency)	\$ (1,142,977)	\$ (228,230)
Adjustments to reconcile changes in net assets (deficiency) to net cash provided by operating activities		
Depreciation	213,166	149,997
Subsidy from related party	(1,212,222)	-
(Increase) decrease in operating assets		
Patient accounts receivable	(119,682)	(38,975)
Medicaid wrap-around receivables	636,010	(387,017)
Grants and other receivables	(72,872)	(89,881)
Prepaid expenses and other current assets	103,357	6,307
Increase (decrease) in operating liabilities		
Accounts payable	7,725	310,870
Accrued expenses	160,882	31,395
Due to related parties	1,434,432	585,892
Refundable advances	-	(33,198)
Net cash provided by operating activities	<u>7,819</u>	<u>307,160</u>
<b>Investing activities</b>		
Purchase of capital assets	<u>(244,617)</u>	<u>(334,169)</u>
<b>Financing activities</b>		
Working capital advance	500,650	-
Proceeds from line of credit	47,694	397,882
Repayment on line of credit	<u>(114,673)</u>	<u>(401,189)</u>
Net cash provided by (used in) financing activities	<u>433,671</u>	<u>(3,307)</u>
Net change in cash and cash equivalents	196,873	(30,316)
<b>Cash and cash equivalents</b>		
Beginning of year	<u>146,728</u>	<u>177,044</u>
End of year	<u>\$ 343,601</u>	<u>\$ 146,728</u>
<b>Supplemental disclosure of cash flow information</b>		
Cash paid for interest	<u>\$ 11,417</u>	<u>\$ 7,394</u>
Cash paid for taxes	<u>\$ -</u>	<u>\$ -</u>

The Notes to Financial Statements are an integral part of these statements.

**Visiting Nurse Association of Central Jersey  
Community Health Center, Inc.  
Notes to Financial Statements  
December 31, 2019 and 2018**

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**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

Visiting Nurse Association of Central Jersey Community Health Center, Inc. (the "Center") is a not-for-profit organization with an innovative model of community-based care. The Center offers primary and preventive health care services for people of all ages and extends its educational and health screening services in a variety of settings throughout the community. The Center was formed on July 15, 1994 and commenced operations in a site located in Asbury Park, New Jersey and received its designation as a Federally Qualified Health Center ("FQHC"), effective April 1, 2003.

Additional sites were established in subsequent years in Keyport and Red Bank, New Jersey. The facility located in Keyport received its FQHC designation on November 21, 2005. The facility located in Red Bank was designated as a FQHC upon the commencement of operations in May 2006.

A site located in Freehold, New Jersey was established and commenced operations during March 2019. This facility received its FQHC designation upon the commencement of operations.

The Center has entered into a number of agreements for services with Visiting Nurse Association Health Group, Inc. and Affiliates.

**Basis of Accounting**

The accompanying financial statements have been prepared on the accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized when incurred. Assets and liabilities are recognized when assets are acquired or the liabilities are incurred.

**Financial Statement Presentation**

The Center reports information regarding its financial position and operations according to two classes of net assets which are defined as follows:

- **Net assets without donor restrictions** – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.
- **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. Donor-imposed restrictions are released when a restriction expires, that is, when a stipulated time has elapsed, when the stipulated purpose for which the resources were restricted has been fulfilled, or both. At each of the years ended December 31, 2019 and 2018, there were \$8,841 of net assets with donor restrictions that are temporary in nature.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenses during the reporting period. The allowance for uncollectible accounts and the provision for bad debts require the significant use of estimates. Actual results could differ from those estimates.



**Visiting Nurse Association of Central Jersey  
Community Health Center, Inc.  
Notes to Financial Statements  
December 31, 2019 and 2018**

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**Cash and Cash Equivalents**

For purposes of the accompanying statements of cash flows, the Center considers cash and all highly liquid investments with original maturities of three months or less to be cash equivalents.

**Accounts Receivable**

Included within accounts receivable are receivables from patients, Medicaid wraparound receivables, 340B program receivables and grants receivable. Accounts receivable are recorded at established rates net of contractual and other allowances and do not bear interest. Payments of accounts receivable are allocated to the specific invoices identified on the remittance advice or other support received from the patients, third-party payors or other payors. The allowance for uncollectible accounts reflected in the accompanying statements of financial position is the Center's best estimate of the amount of credit losses in the Center's existing accounts receivable. The Center reviews its allowance for uncollectible accounts periodically and determines the estimated amount for the allowance for uncollectible accounts based on potential collection issues and historical write-off experience. Past due balances are determined based on payment history and are reviewed individually for collectability. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote.

**Inventories**

Inventories of supplies are not material and, therefore, are charged to expense as incurred.

**Property and Equipment**

Property and equipment are recorded at cost, except for donated assets which are recorded at fair value at the date of donation. Depreciation is computed on a straight-line method over the estimated useful lives of the assets, which range from three (3) to twenty-five (25) years.

Gifts of long-lived assets such as land, buildings or equipment are recorded at fair value at the date of the gift and reported as changes in net assets without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Where applicable, gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash and other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed into service.

**Impairment of Long-Lived Assets**

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to the future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amounts of the assets exceed the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. There were no impairment charges recorded during the years ended December 31, 2019 and 2018.

**Operating Indicator**

The Center's changes in net assets reflected on the accompanying statements of activities and changes in net assets (deficiency) represents its operating indicator and includes all revenue, gains, expenses and losses for the reporting period. The Center differentiates its ongoing operating activities through the operating income (loss) as an intermediate measure of operations. For purposes of display, forgiveness of debt is excluded from operating income (loss) in the accompanying statements of activities and changes in net assets (deficiency).

**Visiting Nurse Association of Central Jersey  
Community Health Center, Inc.  
Notes to Financial Statements  
December 31, 2019 and 2018**

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**Net Patient Service Revenue and Medicaid Wraparound Revenue**

Net patient service revenue and Medicaid wraparound revenue consists primarily of revenues derived from patient care services and claims submitted. Revenue is recorded on the accrual basis using the Center's best expected estimate of the transaction price for the type of service provided to patients. The transaction price includes estimates for price concessions, contractual allowances and potential adjustments that may arise from payment history and other reviews, plus uncollectible payor and patient amounts ("Patient Allowances"). The Center calculates Patient Allowances by type of service and by payors based on the rates in effect for each primary third-party payor. Patient Allowances are based on the Center's historical experience and success rates in the claims adjudication process and for uncollectible amounts for each type of payor. All patient service revenue is recognized over time upon completion of the Center's services and any unearned portion is deferred until earned.

Management continually reviews the revenue transaction price estimation process to consider and incorporate updates to laws and regulations and the frequent changes in contractual terms that result from contract renegotiations and renewals. Due to complexities involved in determining amounts ultimately due under reimbursement arrangements with third-party payors, which is often subject to interpretation, the Center may receive reimbursement for healthcare services authorized and provided that is different from estimates, and such differences could be material. In addition, laws and regulations governing the Medicare and Medicaid programs are complex, subject to interpretation, and are routinely modified for provider reimbursement.

**Grants and Contracts**

The Center annually receives a number of grants. These funds are generally designated to cover current operating costs for specific programs. Revenue related to these programs is recognized as the related expenses are incurred.

**Uncompensated Care Reimbursement**

Under a letter of agreement ("LOA") executed with the New Jersey Department of Health and Senior Services, the Center is eligible to receive funds for the purpose of expanding evening and weekend hours to promote the Center as an alternative to hospital emergency departments. The LOA provides reimbursement for uninsured primary care visits for patients with family incomes at or below 250% of the federal poverty level.

Revenue from eligible uninsured patient visits is recorded at an assigned flat rate of reimbursement and is reflected in the accompanying statements of activities and changes in net assets (deficiency).

During each of the years ended December 31, 2019 and 2018, the reimbursement rate per visit received from the New Jersey Department of Health and Senior Services was \$101.

**Donated Services**

The Center receives donated services from unpaid volunteers, officers, and trustees which support fundraising, administration, and program efforts. The value of all donated services is not reflected in the accompanying financial statements since the services do not qualify for recognition in the financial statements.

**Visiting Nurse Association of Central Jersey  
Community Health Center, Inc.  
Notes to Financial Statements  
December 31, 2019 and 2018**

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**Functional Expenses**

The costs of providing the Center's programs and supporting services have been summarized on a functional basis in the notes to financial statements. Costs that can be identified with a specific program or support service are charged directly to that program or support service. Staff costs are allocated based on time and effort. Unless specifically identified, medical and other supplies, insurance expense, repairs and maintenance, depreciation expenses and other operating expenses are allocated in accordance with the allocation method used for staff costs. Management and general expenses include costs not identifiable with any specific program, but which provide overall support and direction of the Center.

**Income Taxes**

The Center is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and state income taxes under the NJ Charitable Registrations Act. Income generated by activities that would be considered unrelated to the Center's mission would be subject to tax, which if incurred, would be recognized as a current expense. No such tax has been recognized as of December 31, 2019 and 2018.

The Center's accounting policy is to evaluate uncertain tax positions in accordance with Accounting Standards Codification Topic 740 *Income Taxes*. Pursuant to the guidance in this accounting pronouncement, the Center has determined that no unrecognized tax benefits exist as of December 31, 2019 and 2018 and does not expect this determination to change significantly over the next 12 months. The Center has not incurred any income tax related penalties or interest for the years ended December 31, 2019 and 2018. Should any such penalties and interest be incurred, the Center's policy would be to recognize them as operating expenses.

**Recently Adopted Accounting Pronouncements**

*Revenue Recognition*

The Center adopted ASU 2014-09, as issued by Financial Accounting Standards Board ("FASB") *Revenue from Contracts with Customers* and subsequently issued supplemental and/or clarifying ASUs (collectively "ASC 606"). ASU 2014-09 affects any entity that either enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of nonfinancial assets unless those contracts are within the scope of other standards.

*Restricted Cash*

During 2019, the Center adopted ASU 2016-18, *Statement of Cash Flows (Topic 230) – Restricted Cash*. Under ASU 2016-18, the statement of cash flows requires an explanation of the change during the period in the total of cash, cash equivalents and amounts generally described as restricted cash or restricted cash equivalents. As a result, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling beginning-of-year and end-of-year total amounts shown on the statement of cash flows. For the years ended December 31, 2019 and 2018, the Center did not have any restricted cash.

*Contributions*

During 2019, the Center adopted ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional or unconditional and better distinguish a donor-imposed condition from a donor-imposed restriction. The Center adopted the new guidance in 2019 and concluded the adoption of the new standard did not have a significant effect on the financial position or results of operations of the Center, and accordingly, there is no effect on net assets in connection with the implementation of ASU 2018-08.

**Visiting Nurse Association of Central Jersey  
Community Health Center, Inc.  
Notes to Financial Statements  
December 31, 2019 and 2018**

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**New Accounting Pronouncements Not Yet Adopted**

*Lease Transactions*

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842) and has subsequently issued supplemental and/or clarifying ASUs (collectively “ASC 842”), in order to increase transparency and comparability by recognizing lease assets and liabilities on the statement of financial position and disclosing key information about leasing arrangements. ASC 842 affects any entity that enters into a lease, as defined in the guidance. A core principle of the guidance is that a lessee should recognize in its financial statements a liability for lease payments and a right-of-use asset representing its right to use the underlying asset for the lease term. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election not to recognize lease assets and lease liabilities. If the lessee makes this election, it should recognize lease expense for such leases generally on the straight-line basis over the lease term. In transition, lessees and lessors are required to recognize and measure leases at the beginning of the earliest period presented. ASC 842 will be effective for fiscal years beginning after December 15, 2021 for the Center. Early application is permitted. The Center has not adopted the new standard in these financial statements and is presently evaluating the effect adoption will have on prospective financial statements.

**Reclassification**

The 2018 financial statements were reclassified for the adoption of ASU 2014-09. Changes in net assets and total net assets are unchanged due to the reclassifications.

**2. LIQUIDITY AND AVAILABILITY**

As of December 31, 2019 and 2018, financial assets available within one year for general expenditure were as follows:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 343,601	\$ 146,728
Patient accounts receivable, net	287,657	167,975
Medicaid wraparound receivables, net	331,905	967,915
Grants and other receivables	<u>243,403</u>	<u>170,531</u>
	<u>\$ 1,206,566</u>	<u>\$ 1,453,149</u>

Other than the net assets with donor restrictions of \$8,841 as of each of the years ended December 31, 2019 and 2018, none of the financial assets listed in the table above are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the statement of financial position date.

The Center regularly monitors liquidity to meet its operating needs and other contractual commitments, while also striving to maximize investment of its available funds. The Center has various sources of liquidity at its disposal, including cash and cash equivalents, collections of accounts receivable and collections of grant and other receivables. The Center is provided with extended repayment terms and additional funding, if needed, from related parties.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Center considers all expenditures related to its ongoing activities to be general expenditures.

**Visiting Nurse Association of Central Jersey  
Community Health Center, Inc.  
Notes to Financial Statements  
December 31, 2019 and 2018**

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In addition to financial assets available to meet general expenditures over the next 12 months, the Center anticipates collecting sufficient revenue to cover general expenditures not covered by resources with donor restrictions.

**3. PATIENT ACCOUNTS RECEIVABLE AND NET PATIENT SERVICE REVENUE**

The Center adopted ASC 606 *Revenue from Contracts with Customer* as of January 1, 2019. ASC guidance outlines a five-step framework that supersedes the principles for recognizing revenue and eliminates industry-specific guidance. The guidance established a core principle that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services.

The primary impact of adopting ASC 606 is that amounts the Center previously presented as provision for bad debts were not considered an implicit price concession in determining patient service revenue but are an implicit price concession under ASC 606. Such concessions reduce the transaction price and, therefore, patient service revenue.

The Center adopted the requirements of the new guidance utilizing the full retrospective method of transition. Adoption of the new guidance resulted in changes to accounting policies for revenue recognition and patient accounts receivable, as detailed below. The Center applied the new guidance using the following practical expedients which are provided in ASC 606: completed contracts that began and ended in the same year were not restated; the actual, rather than estimated, consideration was used to determine the transaction price; and the amount of the transaction price allocated to the remaining performance obligations and details of when the Center expects to recognize that amount as revenue for 2018 was not disclosed. The effects of applying these practical expedients were not significant to the financial statements.

As a result of adopting the new guidance, the majority of what was previously classified as the provision for bad debts (which would have been approximately \$795,000 for the year ended December 31, 2019) is now reflected as an implicit price concession (as defined in ASC 606) and therefore is included as a reduction to net patient service revenue in the accompanying statements of activities and changes in net assets (deficiency). For the year ended December 31, 2018, the comparable amount (approximately \$340,000) has been reclassified to conform to the current year presentation. For changes in credit issues not assessed at the date of the service, the Center will prospectively recognize those amounts as bad debt expense. Bad debt expense is now included as a component of supplies and other expenses in the accompanying statements of changes and net assets (deficiency). Additionally, upon adoption of ASC 606, the allowance for doubtful accounts was reclassified as a component of patient accounts receivable in the accompanying statements of financial position.

Patient accounts receivable at December 31, 2017 was \$129,000. At December 31, 2019 and 2018, patient accounts receivable, net is comprised of the following components:

	<u>2019</u>	<u>2018</u>
Patient accounts receivable, gross	\$ 2,365,053	\$ 859,417
Contractual adjustments, discounts and price concessions	<u>(2,077,396)</u>	<u>(691,442)</u>
Patient accounts receivable, net	<u>\$ 287,657</u>	<u>\$ 167,975</u>

**Visiting Nurse Association of Central Jersey  
Community Health Center, Inc.  
Notes to Financial Statements  
December 31, 2019 and 2018**

---

The Center recognizes accounts receivable and patient service revenue associated with services provided to patients who have third-party payor coverage on the basis of contractual rates for the services rendered. Patients that do not qualify for third-party reimbursement are charged a fee for services based on a sliding scale, taking into consideration the patient's monthly income and family size. These latter patients are charged a percentage of a visit fee according to a sliding scale and allowances for sliding scale fee adjustments are taken for the portion not charged to the patients.

Patient service revenue for the years ended December 31, 2019 and 2018, net of contractual adjustments and discounts is as follows:

	<u>2019</u>	<u>2018</u>
Patient service revenue, gross	\$ 9,945,622	\$ 6,749,452
Contractual adjustments, discounts and price concessions	<u>(7,498,359)</u>	<u>(4,924,785)</u>
Net patient service revenue	<u>\$ 2,447,263</u>	<u>\$ 1,824,667</u>

Deductibles and copayments under third-party payment programs are the patient's responsibility and the Center considers these amounts in its determination of the provision for bad debts based on collection experience.

For the years ended December 31, 2019 and 2018, revenue from the Medicare and Medicaid programs accounted for approximately 27% and 28%, respectively, of the net patient service revenue of the Center. Laws and regulations governing Medicare and Medicaid programs are complex and subject to interpretation. The Center believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or possible investigations involving allegations of potential wrongdoing. Compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory actions including fines, penalties and exclusion from the Medicare and Medicaid programs in the event noncompliance is determined.

In addition, the Center has entered into payment agreements with commercial insurance carriers, health maintenance organizations and preferred provider organizations. The basis for payment under these agreements includes prospectively determined rates or discounts from established charges.

**4. PREMIUM REVENUE (CAPITATION)**

The Center has agreements with various Health Maintenance Organizations ("HMOs") to provide medical services to subscribing participants. Under these agreements, the Center receives monthly capitation payments based on the number of each HMO's participants, regardless of services actually performed by the Center. In addition, the HMOs make fee-for-service payments to the Center for certain covered services based upon discounted fee schedules. During 2019 and 2018, the Center earned \$549,125 and \$559,054, respectively, of revenue related to the capitation agreements.

**Visiting Nurse Association of Central Jersey  
Community Health Center, Inc.  
Notes to Financial Statements  
December 31, 2019 and 2018**

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**5. 340B REVENUE**

The Center participates in the 340B “Drug Discount Program” which enables qualifying health care providers to purchase drugs from pharmaceutical suppliers at a substantial discount. The 340B Drug Pricing Program is managed by the Health Resources and Services Administration (“HRSA”) Office of Pharmacy Affairs. The Center earns revenue under this program by purchasing pharmaceuticals at a reduced cost to fill prescriptions to qualified patients. The Center has a network of participating pharmacies that dispense the pharmaceuticals to its patients under contract arrangements with the Center. Reported 340B revenue consists of the pharmacy reimbursements, net of the initial purchase price of the drugs. Revenue for the years ended December 31, 2019 and 2018 was as follows:

	<u>2019</u>	<u>2018</u>
Gross receipts	\$ 2,009,189	\$ 2,791,632
Less: Drug replenishment costs and administrative fees	<u>1,789,986</u>	<u>2,270,538</u>
Net revenue	<u>\$ 219,203</u>	<u>\$ 521,094</u>

**6. PROPERTY AND EQUIPMENT**

Property and equipment as of December 31, 2019 and 2018 consist of the following:

	<u>2019</u>	<u>2018</u>
Leasehold improvements	\$ 1,966,736	\$ 1,796,214
Buildings	30,269	30,269
Equipment	<u>1,272,542</u>	<u>1,198,447</u>
	3,269,547	3,024,930
Less: Accumulated depreciation	<u>(2,086,688)</u>	<u>(1,873,522)</u>
Property and equipment, net	<u>\$ 1,182,859</u>	<u>\$ 1,151,408</u>

For the years ended December 31, 2019 and 2018, depreciation expense applicable to the above assets amounted to \$213,166 and \$149,997, respectively.

**7. RELATED PARTY TRANSACTIONS**

The Center has entered into a number of agreements for services with Visiting Nurse Association Health Group, Inc. and Affiliates (“VNA Health Group”). A brief summary of the services and related matters are set forth below.

The Center has entered into an administrative service agreement, effective January 1, 2018, with VNA Health Group to provide general and administrative services including, but not limited to, financial, billing, development, management information, facilities, security risk management, marketing, human resources, compliance, and financial advisory services. The agreement terminates December 31, 2023. Annual fees associated with the above referenced administrative service agreement are \$360,000. Administrative fees incurred by the Center and allocated by location, related to these services for the years ended December 31, 2019 and 2018 are as follows:

**Visiting Nurse Association of Central Jersey  
Community Health Center, Inc.  
Notes to Financial Statements  
December 31, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
Asbury Park	\$ 136,350	\$ 162,000
Keyport	99,600	147,600
Red Bank	45,829	50,400
Freehold	78,221	-
	<u>\$ 360,000</u>	<u>\$ 360,000</u>

In connection with the administrative services agreement, Visiting Nurse Association of Central Jersey Foundation, Inc. ("VNACJ Foundation"), an affiliate of VNA Health Group, organizes fundraising events on behalf of the Center. All direct appropriations or funds collected by VNACJ Foundation on behalf of the Center, if any, are recorded in the accompanying statements of activities and changes in net assets (deficiency) as fundraising and other revenue.

Non-interest bearing amounts due to VNA Health Group and Affiliates at December 31, 2019 and 2018 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
VNACJ	\$ 960,058	\$ 621,979
VNA Health Group	243,926	359,795
VNACJ Foundation	210	210
	<u>\$ 1,204,194</u>	<u>\$ 981,984</u>

As of December 31, 2019 and 2018 there was no agreed upon repayment schedule.

**8. NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions are available for the following purposes at December 31, 2019 and 2018 as follows:

	<u>2019</u>	<u>2018</u>
Reach Out and Read Program	\$ 6,879	\$ 6,879
Critical Needs in the Community related to Nutrition and Dental Services	<u>1,962</u>	<u>1,962</u>
Net assets with donor restrictions	<u>\$ 8,841</u>	<u>\$ 8,841</u>

**9. PENSION PLAN**

The Center participates in the noncontributory defined contribution pension plan of Visiting Nurse Association Health Group, Inc. and Affiliates. The pension plan covers substantially all employees of the Center. Under the terms of the plan, 7.5% of pensionable compensation for vested employees hired on or before December 31, 2000 and 4% for employees hired after that date is contributed to the Plan Custodian on behalf of all employees with two (2) years of service and who have attained twenty-one (21) years of age. Contribution expense amounted to \$110,061 and \$75,118 for the years ended December 31, 2019 and 2018, respectively.



**Visiting Nurse Association of Central Jersey  
Community Health Center, Inc.  
Notes to Financial Statements  
December 31, 2019 and 2018**

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**10. WORKING CAPITAL ADVANCE**

The Center participates in a Primary Care Collaborative Agreement between CentraState Medical Center, Inc. ("CSMC"), VNA Health Group, Inc. ("VNA"), a related party, and Robert Wood Johnson Medical School of Rutgers University ("RWJMS"). This agreement was entered into as of January 24, 2019 and has a fifteen (15) year term. As part of the agreement the Center is to operate the Freehold FQHC location which is rented by the Center from the VNA. In the first year of operations CSMC has agreed to advance funds to offset expected working capital needs. During 2019 the Center received these funds in the amount of \$500,650 which are to be repaid to CSMC through positive operating income generated by the Freehold FQHC. As of December 31, 2019 a repayment schedule has yet to be agreed upon.

**11. LEASING ARRANGEMENTS**

**Facility and Equipment**

The Center conducts operations in leased facilities located in Asbury Park and Freehold, New Jersey. These two facilities are leased from a related party, VNACJ. The leases are classified as operating leases and are renegotiated annually. Annual rent expense for the years ended December 31, 2019 and 2018 was \$304,608 and \$130,635, respectively, payable in monthly installments of \$28,245 and \$10,886, respectively.

In addition to the lease commitments with the related party, the Center also rents space for the facilities located in Asbury Park, Red Bank, and Keyport, New Jersey. Rent expense for those facilities for the years ended December 31, 2019 and 2018 was \$216,892 and \$214,488, respectively, payable in monthly installments of \$18,074 and \$17,874, respectively.

Future minimum lease payments required under these non-cancelable facility and other equipment leases for the next five years ended December 31 and thereafter are approximately as follows:

2020	\$ 556,000
2021	562,000
2022	588,000
2023	375,000
2024	246,000
Thereafter	<u>1,934,000</u>
	<u>\$ 4,261,000</u>

**12. COMMITMENTS AND CONTINGENCIES**

The Center is periodically subject to claims and lawsuits that arise in the ordinary course of business. Management believes that losses resulting from such matters, if any, would be covered in whole or in part by the Center's liability insurance policies or coverage and would not have a material effect on the financial position or changes in net assets of the Center.

**13. LINE OF CREDIT**

The Center entered into a commercial line of credit in the amount of \$150,000 with a national bank on January 11, 2007. The credit line is subject to renewal on an annual basis at the sole discretion of the bank. The bank has renewed the credit line and extended the maturity date of the credit line to January 11, 2021. Interest is payable monthly at the Index rate, which is defined as the highest Prime Rate as published in the "Money Rates" section of *The Wall Street Journal*, such rate being 4.75% at December 31, 2019. The line of credit is secured under a first UCC-1 lien security interest on all assets of the Center. At December 31, 2019 and 2018, the outstanding balance of the line was \$79,714 and \$146,693, respectively.

**Visiting Nurse Association of Central Jersey  
Community Health Center, Inc.  
Notes to Financial Statements  
December 31, 2019 and 2018**

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**14. CONCENTRATIONS OF CREDIT RISK**

Financial instruments that potentially subject the Center to concentrations of credit risk consist principally of cash balances in financial institutions in excess of federally insured limits and patient accounts receivable. With respect to cash in financial institutions, which may periodically exceed Federally insured limits during the year, the Center has not experienced any losses in such accounts. The Center believes it is not exposed to any significant credit risk on the balances maintained in the financial institutions.

The Center grants credit without collateral to insured, underinsured, uninsured and disenfranchised patients of the communities served. Most of the related accounts receivable are small balances generated from patients who are primarily local residents and whose obligations are generally paid by third-party payors. The Center believes it is not exposed to any significant credit risk on the net accounts receivable balances.

**15. MALPRACTICE RISK**

Effective September 29, 2006, the Center was approved for Malpractice Liability Insurance Coverage by the Health Resources and Services Administration ("HRSA") in accordance with Section 224(g) of the Public Health Service ("PHS") Act, as amended by the Federally Supported Health Centers Assistance Act of 1995 ("FSHCAA"). As such, the Center is considered to be an employee of the PHS and is provided liability protection under the Federal Tort Claims Act ("FTCA") for damage for personal injury, including death, resulting from the performance of medical, surgical, dental and related functions. This protection is exclusive of any other civil action or proceeding. FTCA coverage is comparable to an "occurrence" policy without a monetary cap. Coverage is contingent on assurances provided by the Center in an annual application and the continued funding to the Center under Section 330 of the PHS Act. Coverage was renewed by HRSA through December 31, 2019. The Center previously maintained malpractice insurance coverage on a claims-made basis. In connection with the initial application process, the Center was required to obtain tail insurance coverage to cover occurrences prior to the effective date of FTCA coverage.

The Center has determined, based on its own experience and industry experience data, that its potential liability for unreported claims is insignificant, and as such, no liability for unreported claims is included in the accompanying financial statements.

**Visiting Nurse Association of Central Jersey  
Community Health Center, Inc.  
Notes to Financial Statements  
December 31, 2019 and 2018**

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**16. FUNCTIONAL EXPENSES**

The Center provides primary and preventive health care services to individuals within its geographic locations. Expenses related to providing these services and for administrative expenses for the years ended December 31, 2019 and 2018 are as follows:

	<b>2019</b>		
	<b>Program Expenses</b>	<b>General and Administrative</b>	<b>Total</b>
Salaries and benefits	\$ 4,295,032	\$ 2,786,720	\$ 7,081,752
Supplies and other expenses	1,624,230	970,969	2,595,199
Depreciation	133,412	79,754	213,166
Interest	11,417	-	11,417
	<u>\$ 6,064,091</u>	<u>\$ 3,837,443</u>	<u>\$ 9,901,534</u>
	<b>2018</b>		
	<b>Program Expenses</b>	<b>General and Administrative</b>	<b>Total</b>
Salaries and benefits	\$ 3,568,631	\$ 2,078,191	\$ 5,646,822
Supplies and other expenses	1,000,462	582,619	1,583,081
Depreciation	94,794	55,203	149,997
Interest	7,394	-	7,394
	<u>\$ 4,671,281</u>	<u>\$ 2,716,013</u>	<u>\$ 7,387,294</u>

**Visiting Nurse Association of Central Jersey  
Community Health Center, Inc.  
Notes to Financial Statements  
December 31, 2019 and 2018**

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**17. OTHER THAN PERSONNEL SERVICES EXPENSES**

Other than personnel services expenses incurred by the Center, related to the net assets without restrictions in the accompanying statements of activities and changes in net assets (deficiency) in connection with its operations for the years ended December 31, 2019 and 2018, are summarized as follows:

	<u>2019</u>	<u>2018</u>
Consultants	\$ 299,695	\$ 181,060
Administrative services	360,000	360,000
Professional fees	88,487	81,281
Insurance	66,166	59,859
Occupancy costs	768,790	400,660
Repairs and maintenance	175,704	99,271
Licenses, dues and fees	41,282	70,472
Printing	6,458	4,107
Purchased lab services	28,864	60,830
Program supplies, medical supplies reference materials and other supplies	593,020	169,553
Postage	137	13
Minor equipment and equipment rental	28,141	12,865
Training and seminars	13,041	14,902
Travel	41,932	30,174
Community awareness	5,257	16,094
Miscellaneous	78,225	21,940
	<u>\$ 2,595,199</u>	<u>\$ 1,583,081</u>

**18. SUBSEQUENT EVENTS**

The Center has evaluated subsequent events occurring after the statement of financial position of December 31, 2019 through the date of September 9, 2020, which is the date the financial statements were available to be issued. Based on this evaluation, the Center has determined that the following subsequent event requires disclosure in the financial statements.

Management is currently evaluating the introduction and clinical effects of the COVID-19 virus and its impact on the healthcare industry. Management has developed a wide array of financial and operational plans designed to respond to the needs of the communities that they serve and various stakeholders.

During April and May of 2020, the Center received approximately \$1,198,000 of grants from the Public Health and Social Services Emergency Fund administered by the Department of Health and Human Services, which was expanded by the CARES Act to provide grants or other funding mechanisms to eligible health care providers for health care related expenses or lost revenues attributable to COVID-19. The Center also received a loan under the CARES Act Paycheck Protection Program of approximately \$1,193,000 in April of 2020.

In its overall assessment, management has concluded that while it is reasonably possible that the virus could have a negative effect on the Center's financial condition, results of operations and cash flows, the specific impact is not readily determinable as of the date of these financial statements.

## **ADDITIONAL INFORMATION**

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

### INDEPENDENT AUDITOR'S REPORT

The Board of Trustees,  
Visiting Nurse Association of Central Jersey  
Community Health Center, Inc.:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Visiting Nurse Association of Central Jersey Community Health Center, Inc. (the "Center"), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities and changes in net assets (deficiency) and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 9, 2020.

#### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Center's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control.

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 and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of finding and questioned costs, we did identify certain deficiencies in internal control over financial reporting that we consider to be a material weakness.

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 any deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2019-01 that we consider to be a material weakness.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Center's financial statements are free from material misstatement, we performed tests of their 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*.

### **Management's Response to Finding**

The Center's response to the finding identified in our audit as described in the accompanying schedule of findings and questioned costs. The Center's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of This Report**

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

A handwritten signature in blue ink that reads "Withum Smith & Brown, PC".

September 9, 2020

## **REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL AND STATE PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE AND NEW JERSEY DEPARTMENT OF TREASURY CIRCULAR LETTER 15-08 OMB**

### **INDEPENDENT AUDITOR'S REPORT**

The Board of Trustees,  
Visiting Nurse Association of Central Jersey  
Community Health Center, Inc.:

#### **Report on Compliance for Each Major Federal and State Program**

We have audited Visiting Nurse Association of Central Jersey Community Health Center, Inc.'s (the "Center") compliance with the types of compliance requirements described in *U.S. Office of Management and Budget* ("OMB") *Compliance Supplement* and New Jersey Department of Treasury Circular Letter 15-08 OMB that could have a direct and material effect on the Center's major federal and state programs for the year ended December 31, 2019. The Center's major federal and state 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 the federal and state statutes, regulations, and the terms and conditions of its awards applicable to its federal and state programs.

#### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for the Center's major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the 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") and the New Jersey Department of Treasury Circular Letter 15-08 OMB. Those standards, the Uniform Guidance and New Jersey Department of Treasury Circular Letter 15-08 OMB 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 and state program occurred. An audit includes examining, on a test basis, evidence about the Center'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 and program. However, our audit does not provide a legal determination of the Center's compliance.

#### **Opinion on Each Major Federal and State Program**

In our opinion, the Center complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended December 31, 2019.



## Report on Internal Control Over Compliance

Management of the Center 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 the Center's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal and state 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 and state program and to test and report on internal control over compliance in accordance with Uniform Guidance and the New Jersey Department of Treasury Circular Letter 15-08 OMB, 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 Center'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 and state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal and state program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal and state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance and the New Jersey Department of Treasury Circular Letter 15-08 OMB. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in blue ink that reads "Withum Smith & Brown, PC".

September 9, 2020

**Visiting Nurse Association of Central Jersey  
Community Health Center, Inc.  
Schedule of Findings and Questioned Costs  
Year Ended December 31, 2019**

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**SECTION I – SUMMARY OF AUDITOR’S RESULTS**

**FINANCIAL STATEMENTS:**

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

    Material weakness(es) identified?   X   yes        no

    Significant deficiencies identified?        yes   X   none reported

    Noncompliance material to financial statements noted?        yes   X   no

**FEDERAL AND STATE AWARDS:**

Internal control over major programs:

    Material weakness(es) identified?        yes   X   no

    Significant deficiencies identified that are not considered to be material weakness(es)?        yes   X   none reported

Type of auditor’s report issued on compliance for federal and state programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Title 2 U.S. CFR Part 200?        yes   X   no

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

Auditee qualified as low-risk auditee?   X   yes        no

Identification of major programs:

<u>CFDA Number</u>	<u>Award Number</u>	<u>Name of Federal or State Program or Cluster</u>
<b>Federal:</b>		
93.224	6H80CS00874-17-04/16-10	U.S. Department of Health and Human Services, Health Resources & Services Administration (HRSA) - Health Center Cluster
<b>State:</b>		
N/A	MGMT20GIA011	Dedicated Grant-in-Aid 2020

**Visiting Nurse Association of Central Jersey  
Community Health Center, Inc.  
Schedule of Findings and Questioned Costs  
Year Ended December 31, 2019**

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**SECTION II - FINANCIAL STATEMENT FINDINGS**

2019-01 - Internal control over transaction processing, maintaining adequate accounting records (trial balance, general ledger and adjusting journal entries) and financial reporting including year-end reporting which lead to material audit adjustments.

**Criteria:** Generally accepted accounting principles in the United States of America provides that the design or operation of an internal control over financial reporting should allow management or employees in the normal course of performing their assigned functions to prevent, or detect and correct, misstatements on a timely basis. This includes the need for an individual, not directly involved in the preparation of transactions or financial statement amounts, to provide a review of the work performed.

**Condition and Context:** During our audit procedures, it was determined that certain trial balance and general ledger documentation to support account balance and/or to document evidence of a supervisory review was not available. The extent of the adjusting journal entries proposed by the auditor was material to the financial statements.

**Cause:** The accounting management and staff had not prepared or reviewed certain accounting transactions to support trial balance, general ledger and/or financial statement amounts.

**Effects:** The accounting records of certain account balance provided to the auditors were not accurate. Incomplete, and or inaccurate, financial statement amounts could impact the economic decisions of anyone relying on incorrect financial information including internal and external use. The extent of the adjustments proposed by the auditors was material to the financial statements.

**Recommendations:** We recommend that management implement a more detailed and adequate review of its accounting records as well as prepare more accurate support schedules, analysis, and reconciliations of financial statement balances.

**Management's Response:** As part of an on-going process improvement program, Management recognized the need for additional expertise in certain areas. The following steps were taken to address the deficiencies:

- 1) Management hired a 340B Pharmacy expert to assist in monitoring the activity with the outside vendors including regular audits. In addition, a policy and procedure was developed for tracking and ordering of 340B inventory and supplies. This has allowed Management to receive more accurate and timely reporting of the program.
- 2) Management hired an accounting consulting firm specializing in not-for-profit entities to assist in developing reporting tools to manage the day-to-day financial operations and improve the accuracy and the timelessness of the finance reports.
- 3) Management hired a billing consultant specializing in FQHC's to assist in managing the revenue cycle management process. This has allowed an additional focus on denials and collection procedures.
- 4) Management invested in training staff in revenue cycle management best practices to aid in preparing, analyzing, and reconciling financial reports in the revenue cycle software.
- 5) Management invested in several performance improvement initiatives and upgrades to its revenue cycle software suite for the purpose of providing more accurate reporting and better analytical tools.
- 6) Management is instituting regular revenue/cash collections audits to identify potential issues with cash collections in a timelier fashion.

**Visiting Nurse Association of Central Jersey  
Community Health Center, Inc.  
Schedule of Findings and Questioned Costs  
Year Ended December 31, 2019**

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**SECTION III – FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE FINDINGS AND QUESTIONED COSTS**

There are no federal award and state financial assistance findings and questioned costs.

**SECTION IV – PRIOR YEAR AUDITING FINDINGS**

Finding # 2018-01:

**Criteria/Specific Requirement:**

The U.S. Department of Health and Human Services Health Resources and Services Administration (“HRSA”) reporting requirements state that Centers receiving funding must submit Federal Financial Report SF-425 (“FFR”) on a quarterly basis. FFR must be filed within 30 days of the last day of the reporting period.

**Condition, Cause, Effect and Context:**

We observed two instances in which the FFR was not filed within the 30 day requirement. As such, the Center did not comply with the HRSA reporting requirement.

**Questioned Costs:**

No questioned costs were noted.

**Recommendation:**

We recommend that the Center comply with internal policies to submit FFR timely.

**Current Status:**

Our recommendation was adopted for the year ended December 31, 2019.

**Visiting Nurse Association of Central Jersey  
Community Health Center, Inc.  
Schedule of Expenditures of Federal Awards and State Financial Assistance  
Year Ended December 31, 2019**

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA</u>	<u>Award Number</u>	<u>Award Amount</u>	<u>Award Period</u>	<u>Current Year Expenditures</u>
U.S. Department of Health and Human Services, Health Resources & Services Administration (HRSA)					
Health Center Cluster	93.224 / 93.527	6H80CS00874-16-10 6H80CS00874-17-04	\$ 1,889,449 1,906,683	3/1/2018 - 2/28/2019 3/1/2019 - 2/28/2020	\$ 29,697 1,551,599
Ryan White Part C Outpatient EIS Program	93.918	6H76HA00783-16-01 5H76HA00783-17-00	264,748 264,748	4/1/2018 - 3/31/2019 4/1/2019 - 3/31/2020	7,121 197,137
Health Infrastructure Investment Program	93.526	1C8DCS29548-01-00	350,000	5/1/2016 - 4/30/2019	<u>63,600</u>
Total Federal Awards					<u>\$ 1,849,154</u>

See accompanying Notes to Schedule of Expenditures of Federal Awards and State Financial Assistance.

**Visiting Nurse Association of Central Jersey  
Community Health Center, Inc.  
Schedule of Expenditures of Federal Awards and State Financial Assistance  
Year Ended December 31, 2019**

<u>State Grantor/Division/Program Title</u>	<u>Grant Period</u>	<u>Contract Number</u>	<u>Program or Award Amount</u>	<u>01/01/2019 - 12/31/2019 Expenditures</u>	<u>Total Expenditures</u>
State of NJ - Department of Health Division of Family Health Services/Primary Care and Rural Health					
Letter of Agreement	7/1/2018 - 6/30/2019	DCHS21FQH12L	\$ 221,594	\$ 177,861	\$ 221,594
	7/1/2019 - 6/30/2020	DCHS21FQH12L	628,532	262,205	262,205
State of NJ - Department of Health Division of Management Administration					
Dedicated Grant-in-Aid 2020	7/1/2019 - 6/30/2020	MGMT20GIA011	750,000	<u>385,130</u>	<u>385,130</u>
Total State Financial Assistance				<u>\$ 825,196</u>	<u>\$ 868,929</u>
Total Federal Awards and State Financial Assistance				<u>\$ 2,674,350</u>	

See accompanying Notes to Schedule of Expenditures of Federal Awards and State Financial Assistance.

**Visiting Nurse Association of Central Jersey  
Community Health Center, Inc.  
Notes to Schedule of Expenditures of  
Federal Awards and State Financial Assistance  
Year Ended December 31, 2019**

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**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying schedule of expenditures of federal awards and state financial assistance presents the activities of all federal awards and state financial assistance of Visiting Nurse Association of Central Jersey Community Health Center, Inc (the "Center"). All financial assistance received directly from federal and state agencies as well as financial assistance passed through other governmental agencies are included on the schedule.

**2. BASIS OF ACCOUNTING**

The accompanying schedule of expenditures of federal awards and state financial assistance is presented using the accrual basis of accounting. The amounts reported in the schedule as expenditures may differ from certain financial reports submitted to funding agencies due to those reports being submitted on either cash or a modified cash basis of accounting.

**3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS**

Expenditures related to federal awards and state financial assistance are reported in the statements of activities and changes in net assets (deficiency). With respect to certain programs, the expenditures reported in the basic financial statements may differ from the expenditures reported in the accompanying schedule of expenditures of federal and state awards due to program expenditures in excess of grant or contract budgets, matching or in-kind contributions, or capitalization policies required under accounting principles generally accepted in the United States of America.

**4. INDIRECT COSTS**

The Center does not have a federally negotiated indirect cost rate nor has it elected to use the 10% de minimis cost rate as covered in section 200.44 in the Uniform Guidance.

**5. BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards and state financial assistance ("the Schedule") includes the award activity of the Center under programs of the federal government or other governmental agencies for the year ended December 31, 2019. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") and the New Jersey Department of Treasury Circular Letter 15-08 OMB. Because the Schedule presents only a selected portion of the operations of the Center, it is not intended and does not present the statements financial position, statements of activities and changes in net assets (deficiency), or cash flows of the Center.

**6. SUBRECIPIENTS**

The Center provided no federal or state awards to subrecipients for the year ended December 31, 2019.

**Visiting Nurse Association of Central Jersey  
Community Health Center, Inc.  
Schedule of Budgeted and Actual Expenditures  
U.S. Department of Health and Human Services  
Ryan White Part C Outpatient EIS Program  
Year Ended December 31, 2019**

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Award # 5H76HA00783-17-00  
Project Period September 30, 2002 to March 31, 2021  
Award Period April 1, 2019 to March 31, 2020

<u>Cost Category</u>	<u>Approved Budget</u>	<u>2019 Expenditures</u>	<u>04/01/19 – 12/31/19 Expenditures</u>
Salaries/Wages	\$ 199,940	\$ 194,364	\$ 194,364
Fringe Benefits	57,408	2,773	2,773
Supplies	-	-	-
Travel	1,713	-	-
Contractual	<u>5,687</u>	<u>-</u>	<u>-</u>
Total Cost	<u>\$ 264,748</u>	<u>\$ 197,137</u>	<u>\$ 197,137</u>

*Program income collected during this grant period related to Ryan White patients amounted to approximately \$55,544 and is being used for eligible project objectives.*

Award # 6H76HA00783-16-01  
Project Period September 30, 2002 to March 31, 2021  
Award Period April 1, 2018 to March 31, 2019

<u>Cost Category</u>	<u>Approved Budget</u>	<u>2019 Expenditures</u>	<u>04/01/18 - 03/31/19 Expenditures</u>
Salaries/Wages	\$ 199,941	\$ 7,121	\$ 216,897
Fringe Benefits	57,408	-	45,474
Supplies	-	-	-
Travel	1,712	-	208
Contractual	<u>5,687</u>	<u>-</u>	<u>2,169</u>
Total Cost	<u>\$ 264,748</u>	<u>\$ 7,121</u>	<u>\$ 264,748</u>

*Program income collected during this grant period related to Ryan White patients amounted to approximately \$47,908 and is being used for eligible project objectives.*