

GENESIS COMMUNITY HEALTH, INC.
Financial Statements
September 30, 2019 and 2018
With Independent Auditor's Reports

Genesis Community Health, Inc.
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September 30, 2019 and 2018

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors,
Genesis Community Health, Inc.:

Report on the Financial Statements

We have audited the accompanying financial statements of Genesis Community Health, Inc. (the "Organization") (a nonprofit organization), which comprise the statements of financial position as of September 30, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization'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 Organization'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 Genesis Community Health, Inc. as of September 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Adoption of New Accounting Pronouncement

As discussed in Note 1 to financial statements, in fiscal year 2019, the Organization adopted Accounting Standards Update ("ASU") No. 2016-14, *Not-for-Profit Entities* (Topic 958). Our opinion is not modified with respect to this matter.

Going Concern

The accompanying financial statements have been prepared assuming that the Organization will continue as a going concern. As discussed in Note 10 to the financial statements, the Organization's current liabilities exceed its current assets by a significant amount bringing to light continuing deficits in cash flows, and has stated that substantial doubt exists about its ability to continue as a going concern. Management's evaluation of the events and conditions and Management's plans regarding these matters are also described in Note 10. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Other Matters

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis, as required by 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 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 auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards 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 February 21, 2020, on our consideration of the Organization'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 the Organization'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 Organization's internal control over financial reporting and compliance.

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

February 21, 2020

Genesis Community Health, Inc.
Statements of Financial Position
September 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 116,580	\$ 159,431
Patient accounts receivable, net of allowance for contractual adjustments and doubtful accounts of 2019 - \$136,169 and 2018 - \$78,669	217,509	164,878
Grants receivable	95,984	192,206
Other receivable	19,640	2,464
Prepaid expenses	<u>82,555</u>	<u>48,809</u>
Total current assets	532,268	567,788
Property, equipment, and leasehold improvements, net	313,564	387,302
Deposits	<u>38,391</u>	<u>25,412</u>
Total assets	<u>\$ 884,223</u>	<u>\$ 980,502</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued expenses	\$ 808,542	\$ 468,851
Line of credit	72,305	98,290
Deferred support and gains	<u>121,102</u>	<u>314,296</u>
Total current liabilities	1,001,949	881,437
Net assets (deficit)		
Without donor restrictions	<u>(117,726)</u>	<u>99,065</u>
Total liabilities and net assets (deficit)	<u>\$ 884,223</u>	<u>\$ 980,502</u>

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

Genesis Community Health, Inc.
Statements of Activities
Years Ended September 30, 2019 and 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue						
Grants and contributions	\$ -	\$ 2,852,275	\$ 2,852,275	\$ -	\$ 3,665,074	\$ 3,665,074
Patient fees	1,138,080	-	1,138,080	847,149	-	847,149
Interest and other income	11,897	-	11,897	70	-	70
Net assets released from restrictions	<u>2,852,275</u>	<u>(2,852,275)</u>	<u>-</u>	<u>3,665,074</u>	<u>(3,665,074)</u>	<u>-</u>
Total support and revenue	<u>4,002,252</u>	<u>-</u>	<u>4,002,252</u>	<u>4,512,293</u>	<u>-</u>	<u>4,512,293</u>
Expenses						
Program services	3,284,196	-	3,284,196	3,504,098	-	3,504,098
Management and general	898,665	-	898,665	845,881	-	845,881
Fundraising expenses	<u>36,182</u>	<u>-</u>	<u>36,182</u>	<u>44,574</u>	<u>-</u>	<u>44,574</u>
Total expenses	<u>4,219,043</u>	<u>-</u>	<u>4,219,043</u>	<u>4,394,553</u>	<u>-</u>	<u>4,394,553</u>
Change in net assets	(216,791)	-	(216,791)	117,740	-	117,740
Net assets (deficit)						
Beginning of year	<u>99,065</u>	<u>-</u>	<u>99,065</u>	<u>(18,675)</u>	<u>-</u>	<u>(18,675)</u>
End of year	<u>\$ (117,726)</u>	<u>\$ -</u>	<u>\$ (117,726)</u>	<u>\$ 99,065</u>	<u>\$ -</u>	<u>\$ 99,065</u>

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

Genesis Community Health, Inc.
Statements of Functional Expenses
Years Ended September 30, 2019 and 2018

2019						
Program Services			Management and General		Fundraising Expenses	Total
Medical Services	Dental Services	Total Program Services				
Personnel	\$ 1,328,683	\$ 550,248	\$ 1,878,931	\$ 638,337	\$ -	\$ 2,517,268
Contracted services	561,721	158,897	720,618	34,922	36,182	791,722
Medical/dental supplies	34,280	30,998	65,278	-	-	65,278
Facilities	265,704	94,933	360,637	95,127	-	455,764
Dues and subscriptions	2,046	-	2,046	36,951	-	38,997
Insurance	63,079	7,363	70,442	3,174	-	73,616
Depreciation	44,362	25,872	70,234	12,149	-	82,383
Administration	69,772	35,064	104,836	69,552	-	174,388
Marketing	9,236	1,938	11,174	8,453	-	19,627
	<u>\$ 2,378,883</u>	<u>\$ 905,313</u>	<u>\$ 3,284,196</u>	<u>\$ 898,665</u>	<u>\$ 36,182</u>	<u>\$ 4,219,043</u>

2018						
Program Services			Management and General		Fundraising Expenses	Total
Medical Services	Dental Services	Total Program Services				
Personnel	\$ 1,541,948	\$ 561,675	\$ 2,103,623	\$ 617,341	\$ -	\$ 2,720,964
Contracted services	537,443	103,273	640,716	46,468	44,574	731,758
Medical/dental supplies	40,839	38,729	79,568	-	-	79,568
Facilities	221,984	119,649	341,633	89,077	-	430,710
Dues and subscriptions	30,302	4,209	34,511	5,523	-	40,034
Insurance	57,439	40,623	98,062	3,171	-	101,233
Depreciation	30,123	19,930	50,053	8,666	-	58,719
Administration	60,578	61,064	121,642	71,438	-	193,080
Marketing	26,840	7,450	34,290	4,197	-	38,487
	<u>\$ 2,547,496</u>	<u>\$ 956,602</u>	<u>\$ 3,504,098</u>	<u>\$ 845,881</u>	<u>\$ 44,574</u>	<u>\$ 4,394,553</u>

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

Genesis Community Health, Inc.
Statements of Cash Flows
Years Ended September 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Operating activities		
Cash received from grants and patients	\$ 3,812,154	\$ 4,541,301
Cash paid for program and supporting services	(3,852,497)	(4,170,942)
Interest received	11,897	70
Interest paid	<u>8,803</u>	<u>8,575</u>
Net cash and cash equivalents provided by (used in) operating activities	<u>(19,643)</u>	<u>379,004</u>
Investing activities		
Proceeds from sale of property, equipment and leasehold improvements	13,000	-
Purchases of property, equipment and leasehold improvements	<u>(10,223)</u>	<u>(410,008)</u>
Net cash and cash equivalents provided by (used in) investing activities	<u>2,777</u>	<u>(410,008)</u>
Financing activities		
Net borrowings (repayments) from line of credit	<u>(25,985)</u>	<u>98,290</u>
Net cash and cash equivalents provided by (used in) financing activities	<u>(25,985)</u>	<u>98,290</u>
Net change in cash and cash equivalents	(42,851)	67,286
Cash and cash equivalents		
Beginning of year	<u>159,431</u>	<u>92,145</u>
End of year	<u>\$ 116,580</u>	<u>\$ 159,431</u>
Reconciliation of change in net assets to net cash and cash equivalents provided by (used in) operating activities		
Change in net assets	<u>\$ (216,791)</u>	<u>\$ 117,740</u>
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by (used in) operating activities		
Depreciation	82,383	58,719
Gain on sale	(11,422)	-
Changes in assets and liabilities		
Patient accounts receivable	(52,631)	(60,765)
Grants receivable	96,222	(26,962)
Other receivable	(17,176)	(533)
Prepaid expenses	(33,746)	45,434
Deposits	(12,979)	-
Accounts payable and accrued expenses	339,691	128,033
Deferred support	<u>(193,194)</u>	<u>117,338</u>
Total adjustments	<u>197,148</u>	<u>261,264</u>
Net cash and cash equivalents provided by (used in) operating activities	<u>\$ (19,643)</u>	<u>\$ 379,004</u>

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

Genesis Community Health, Inc.
Notes to Financial Statements
September 30, 2019 and 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

Genesis Community Health, Inc. (the "Organization") was formed to promote health care service programs and to establish, maintain, and promote community health centers and other outpatient health care delivery facilities that will provide high quality, primary care health services to the community, with particular focus on the health care needs of the medically underserved populations in and around Palm Beach County, Florida. Its support and revenue comes primarily through grants awarded during the fiscal year.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed stipulations. These assets may, however, be subject to Board designation.

Net assets with donor restrictions – Net assets that are subject to donor-imposed stipulations. These stipulations either require the Organization to maintain the net asset permanently, generally permitting all or part of the income earned on related investments for general or specific purposes, or be met either by the completion of a stipulated action and/or the passage of time.

The Organization had no net assets with donor restrictions at September 30, 2019 or 2018

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 certain reported amounts and disclosures. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Patient Accounts Receivable, Net

Patient accounts receivable are receivables for patient services. These receivables are reported at the estimated net realizable amounts from patients, third-party payors, and others, including retroactive adjustments under payment agreements with third-party payors. The Organization has agreements with third-party payors that generally provide for payments to the Organization at amounts different from its established rates. For uninsured patients, the Organization recognizes revenues based on established rates, subject to certain discounts as determined by the Organization which are recorded as a deduction to patient service revenue. An estimated provision for contractual adjustments and uncollectible accounts is recorded that results in accounts receivable being reported at the net amount expected to be received. The Organization reports accounts services receivable prior to assessing the patient's ability to pay.

Genesis Community Health, Inc.
Notes to Financial Statements
September 30, 2019 and 2018

The Organization is paid a prospectively determined rate for the majority of care and services provided (principally Medicare, Medicaid, and certain insurers). These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. Medicare payments are received on a prospective determined rate with final settlement determined after submission of annual cost reports. Medicaid payments are received on regulatory established rates which are adjusted each year for inflation. Management believes accounts receivable has been recorded at estimated realizable value including estimates for retroactive adjustments, if any, resulting from regulatory matters or other adjustments under payment agreements. All other accounts receivable are recorded at published charges with contractual allowances deducted to arrive at accounts receivable, net.

Laws and regulations governing Medicare and Medicaid programs are complex and subject to interpretation as well as significant regulatory action and in the normal course of business, the Organization is subject to contractual reviews and audits. As a result, there is at least a reasonable possibility that recorded estimates will change in the near term. The Organization believes it is in compliance with applicable laws and regulations governing the Medicare and Medicaid programs and that adequate provisions have been made for any adjustments that may result from final settlements.

Patient accounts receivable are reduced by an allowance for contractual adjustments and doubtful accounts. In evaluating the collectability of accounts receivable, the Organization analyzes its past history and identifies trends for each of its major payor sources to estimate the appropriate allowance for doubtful accounts and provision for bad debts. Management regularly reviews data about these major payor sources in evaluating the sufficiency of the allowance for doubtful accounts. For receivables associated with services provided to patients who have third-party coverage, the Organization analyzes contractually due amounts and provides an allowance for contractual adjustments and doubtful accounts, if necessary (for example, for expected uncollectible deductibles and copayments on accounts for which the third-party payor has not yet paid, or for payors who are known to be having financial difficulties that make the realization of amounts due unlikely). For receivables associated with self-pay patients (which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), the Organization records a significant provision for bad debts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the discounted standard rates and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts.

Grants and Contributions Receivable

The Organization receives grant funding from certain private foundations. Revenue from these grants is recognized only to the extent of expenditures under the terms of the grant. Grant amounts awarded in excess of obligations incurred are recorded as deferred support.

Revenue from government grants and contracts designated for use in specific activities is recognized in the period when the expenditures have been incurred in compliance with the grantor's restrictions. Grants and contract awards for the acquisition of long-lived assets are reported as unrestricted non-operating revenue, in the absence of donor stipulations to the contrary, during the fiscal year in which the assets are acquired. Cash received in excess of revenue recognized is recorded as refundable advances.

Genesis Community Health, Inc.
Notes to Financial Statements
September 30, 2019 and 2018

Grants receivable are stated at net realizable value. In determining whether or not to record an allowance for doubtful accounts, management makes a judgmental determination based on an evaluation of the facts and circumstances related to each account. Receivables are written off as a charge to the allowance when, in management's estimation, it is probable that the receivable is uncollectible.

Contributions, including conditional promises to give, are recorded as made. All contributions are reported as an increase in net assets without donor restrictions unless specifically restricted by the donor. All donor-restricted support is reported as an increase in net assets with donor restrictions depending on the nature of the restriction. When a restriction is satisfied or expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give due within one year are recorded at their net realizable value. Unconditional promises to give due after one year are reported at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the promises are to be received

Property, Equipment, and Leasehold Improvements, Net

Property and equipment is recorded at cost. Depreciation is calculated by the straight-line method over estimated useful lives of 3 to 7 years. Contributed assets are recorded at their estimated fair value at the date of contribution. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Repairs and maintenance are expensed as incurred.

In-Kind Contributions

In-kind contributions are recorded as support and expense at their fair value at date of donation. The Organization recognizes the fair value of contributed services received if such services create or enhance nonfinancial assets or require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not contributed. In-kind contributions are comprised of donated facilities and services.

Income Taxes

The Organization is a not-for-profit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code ("IRC"). Accordingly, no provision for income taxes is reflected in the accompanying financial statements.

Accounting principles generally accepted in the United States of America prescribe requirements for the recognition of income taxes in financial statements, and the amounts recognized are affected by income tax positions taken by the Organization in its tax returns. The Organization's status as an exempt organization is defined as an income tax position under these requirements. While management believes it has complied with the IRC, the sustainability of some income tax positions taken by the Organization in its tax returns may be uncertain. There are minimum thresholds of likelihood that uncertain tax positions are required to meet before being recognized in the financial statements. Management does not believe that the Organization has any material uncertain tax positions at September 30, 2019.

In the event interest and penalties were due relating to an unsustainable tax position, they would be treated as a component of income tax expense.

Advertising

Advertising expenses are charged to operations as incurred and are included in marketing expenses in the statements of functional expenses. The amount charged for the years ended September 30, 2019 and 2018, was \$11,503 and \$13,146, respectively.

Genesis Community Health, Inc.
Notes to Financial Statements
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Deferred Support and Gains

Deferred support consists of grant amounts awarded in excess of obligations incurred which total \$73,102 and \$304,010, at September 30, 2019 and 2018, respectively. Deferred gains represent payments received from vendors to buy-out the Organization's existing equipment contracts as incentive to begin a new contract with the vendor. These amounts are amortized over the course of the new lease contract. Unamortized deferred gains totaled \$48,000 and \$10,286 as of September 30, 2019 and 2018, respectively.

Functional Expenses

The cost of providing the various services and other activities has been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been charged to program services or supporting services based on a combination of specific identification and allocation by management.

Directly identifiable expenses are charged to programs and supporting services. Management and general administrative expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support of the Organization. Such expenses are allocated based on an estimate of actual time spent. Depreciation is allocated on the basis of usage of the related property, plant, and equipment.

New Accounting Pronouncement Adopted in Current Year

During 2019, the Organization adopted ASU 2016-14 – *Not-for-profit Entities* (Topic 958) – *Presentation of Financial Statements of Not-for-profit Entities*. This guidance is intended to improve the net asset classification requirements and the information presented in the financial statements and notes about a not-for-profit's liquidity, financial performance, and cash flows. The main provisions of this guidance include: presentation of two classes of net assets versus the previously required three; recognition of capital gifts for construction as a net asset without donor restrictions when the associated long-lived asset is placed in service; and the recognition of underwater endowment funds as a reduction in net assets with donor restrictions. This guidance also enhances disclosures for board designated endowments, composition of net assets without donor restrictions, liquidity, and presentation of expenses by both their natural and functional classification.

<u>Net Asset Classification</u>	<u>September 30, 2018</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total Net Assets</u>
As previously presented:			
Unrestricted	\$ 99,065	\$ -	\$ 99,065

Significant Accounting Pronouncements

Revenue

In May 2014, the FASB issued Accounting Standards Update No. 2014-09 "Revenue from Contracts with Customers (Topic 606)", which supersedes all existing revenue recognition requirements, including most industry-specific guidance. Together with subsequent amendments, this created Accounting Standards Codification Topic 606 ("ASC 606"). ASC 606 requires an entity to recognize revenue when it transfers goods or services to customers in an amount that reflects the consideration that the entity expects to receive for those goods or services. ASC 606 also expands disclosure requirements. ASC 606 will be effective for the Organization beginning January 1, 2019. ASC 606 will be effective for non-public entities for annual reporting periods beginning after December 15, 2018, and interim reporting periods within annual reporting periods beginning after December 15, 2019.

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ASC 606 allows for either “full retrospective” adoption, meaning the standard is applied to all of the periods presented, or “modified retrospective” adoption, meaning the standard is applied only to the most current period presented in the financial statements. The Organization is currently evaluating the impact of adoption of ASC 606. At this time, management believes that ASC 606 will not have a material impact on its financial statements because existing contractual performance obligations, which determine when and how revenue is recognized, are not materially changed under ASC 606.

Leases

In February 2016, the FASB issued Accounting Standards Update No. 2016-02, *Leases* (ASU 2016-02). ASU 2016-02 establishes a right-of-use (ROU) model that requires a lessee to record a ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement.

ASU 2016-02 is effective for fiscal years beginning after December 15, 2020. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Organization is currently evaluating the impact of its pending adoption of ASU 2016-02 on its financial statements.

Subsequent Events

Management has evaluated subsequent events through February 21, 2020, the date which the financial statements were available to be issued. Based upon this evaluation, the Organization has determined that no subsequent events have occurred which require adjustment to or disclosure in the financial statements.

2. PROPERTY, EQUIPMENT, AND LEASEHOLD IMPROVEMENTS, NET

Property, equipment, and leasehold improvements consist of the following at September 30:

	<u>2019</u>	<u>2018</u>
Leasehold improvements	\$ 405,991	\$ 405,991
Information technology equipment	198,727	188,900
Medical equipment	143,858	143,859
Vehicles	-	23,663
Furniture and fixtures	<u>11,908</u>	<u>11,908</u>
	760,484	774,321
Less accumulated depreciation	<u>(446,920)</u>	<u>(387,019)</u>
Property, equipment, and leasehold improvements, net	<u>\$ 313,564</u>	<u>\$ 387,302</u>

Depreciation for the years ended September 30, 2019 and 2018, was \$82,383 and \$58,719, respectively.

3. LINE OF CREDIT

The Organization has a \$100,000 line of credit which accrues interest at the Prime Rate (5% and 5.25% at September 30, 2019 and 2018, respectively) plus 3.6%. The line of credit is collateralized by property and equipment and matures December 2020. The outstanding principal balance was \$72,305 and \$98,290 at September 30, 2019 and 2018, respectively. Interest expense for the years ended September 30, 2019 and 2018 totaled \$8,803 and 8,575, respectively.

Genesis Community Health, Inc.
Notes to Financial Statements
September 30, 2019 and 2018

4. CONDITIONAL PROMISES TO GIVE

In addition to grants receivable, the Organization had received the following conditional promises to give as of September 30, 2019:

<u>Condition for Release</u>	<u>Amount</u>
Incurring future expenses	\$ <u>1,748,306</u>

These conditional promises to give require the Organization to provide certain services during specific periods. If such services are not provided, the grantors are not obligated to expend the funds allotted under the grant agreements. As such, conditional promises to give do not meet the criteria for recording.

Included in deferred support at September 30, 2019 and 2018, are refundable advances under conditional promises to give in the amounts of \$121,102 and \$314,296, respectively. These amounts are also conditioned on incurring future expenses.

5. OPERATING LEASES

The Organization leases various facilities and equipment under noncancelable operating leases expiring on various dates between 2020 to 2024. Rental expense under these leases for the years ended September 30, 2019 and 2018, totaled \$499,386 and \$486,314, respectively.

Future minimum rentals under the leases at September 30, 2019, are as follows:

2020	\$ 337,572
2021	196,415
2022	128,305
2023	124,373
2024	<u>76,106</u>
	<u>\$ 862,771</u>

6. RETIREMENT PLAN

The Organization offers a defined-contribution plan to eligible employees as prescribed in Section 403(b) of the Internal Revenue Code. The plan covers all eligible employees who elect to participate. Contributions are based on employee salary deferrals. In addition, the plan allows the Organization to match employee salary deferrals. The Organization made contributions of \$16,498 and \$18,937 to the plan during the years ended September 30, 2019 and 2018, respectively.

7. RELATED PARTIES

The Organization is a member of Health Choice Network of Florida, Inc. ("HCN"), an association for federally qualified health centers, which provides substantial support services to the Organization's operations in terms of information technology, finance, electronic health records, managed care, and other clinical services. The CEO of the Organization serves on the Board of HCN. The amounts paid to HCN for this support totaled \$169,608 and \$259,316 for the years ended September 30, 2019 and 2018, respectively. As of September 30, 2019 and 2018, the Organization owed HCN \$289,254 and \$101,098, respectively, related to these services.

Genesis Community Health, Inc.
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8. COMMITMENTS AND CONTINGENCIES

Risks and Uncertainties

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents, patient services receivable, and grants receivable. At times during the year, the Organization's cash balances may exceed federally insured limits of \$250,000. The Organization places its cash with one financial institution and has not experienced losses in any such accounts.

Grants receivable credit risk is limited due to the nature of the grants. The Organization regularly monitors its grants receivable by investigating delayed payments and differences when payments received do not conform to the amount billed. The Organization considers all grants as collectible. Patient services receivables are due from managed care organizations and patients in and around Palm Beach County. Risk is limited due to the large number of individually insignificant accounts which comprise the Organization's customer base, thus spreading the default risk. No single customer represents greater than 10% of total patient services receivable.

Significant Grantors

The Organization receives a substantial amount of its support from government and public grants. A significant reduction in the level of this support, if this were to occur, would have an effect on the Organization's programs and activities.

The largest grantor accounted for 12% and 53% of grants receivable at September 30, 2019 and 2018, respectively, and for 82% and 67% of grant revenues during the years ended September 30, 2019 and 2018, respectively. A second grantor accounted for 54% and 75% of grants receivable at September 30, 2019 and 2018, respectively, and for 12% and 18% of grant revenues during the years ended September 30, 2019 and 2018, respectively. A third grantor accounted for 26% and 22% of grants receivable at September 30, 2019 and 2018, respectively. Grant revenues provided by the third grantor did not exceed 10% of total grant revenues for the years ended September 30, 2019 and 2018.

Compliance

Costs reflected in the financial statements relating to government and public-funded programs are subject to audit by the funding agency. The possible disallowance of any item charged to the program has not been determined, if any. No provision for any liability that may result has been made in the financial statements.

Litigation

The Organization may be involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the Organization's financial position or results of operations.

Medical Malpractice

The Organization maintains its medical malpractice coverage under the Federal Tort Claims Act ("FTCA"). FTCA provides malpractice coverage to eligible PHS-Supported programs and applies to the Organization and its employees while providing services within the scope of employment included under grant-related activities. The Attorney General, through the U.S. Department of Justice, has the responsibility for the defense of the individual and/or grantee for malpractice cases approved for FTCA coverage. The Organization maintains an insurance policy for coverage in addition to the coverage under FTCA.

Genesis Community Health, Inc.
Notes to Financial Statements
September 30, 2019 and 2018

9. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization's financial assets available within one year of the statement of financial position date, September 30, 2019, for general expenditures are as follows:

Cash and cash equivalents	\$ 116,580
Patient accounts receivable, net	217,509
Grants and other receivable	<u>115,624</u>
Total financial assets available within one year	449,713
Less: Amounts unavailable for general expenditures within one year	
Debt service obligations	<u>72,305</u>
Total financial assets available within one year net of amounts unavailable	<u>\$ 377,408</u>

10. ORGANIZATION'S FUTURE OPERATIONS

At September 30, 2019, the Organization's current liabilities exceeded its current assets by approximately \$470,000, including draws on the line of credit nearing the limit of \$72,000. In addition, accounts payable and accrued expenses increased by approximately \$340,000. At September 30, 2019, accounts payable and accrued expenses included approximately \$320,000 in unpaid balances due for longer than 90 days. The Organization has developed plans to address these issues. Included in these plans are a fee schedule increase and Technical Assistance from HRSA to assist the organization with a financial recovery plan. Additionally, GCH will be taking a more aggressive and extensive approach to grant submissions and increasing provider productivity, as well as reducing overall costs through reducing purchases to "as needed basis.", eliminating services that are negatively impacting the organization financially and contracting with managed Care plans to receive increased patient assignments.

The ability of the Organization to continue as a going concern is dependent upon its ability to successfully accomplish the plan described above. However, no assurance can be given that the Organization will be successful in its efforts to support its continued operations. The accompanying financial statements do not include any adjustments that may be necessary if the Organization is unable to continue as a going concern.

SUPPLEMENTARY INFORMATION

Genesis Community Health, Inc.
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2019

	<u>CFDA Number</u>	<u>Contract/ Grant Number</u>	<u>Grant Expenditures</u>
<u>U.S. Department of Health and Human Services:</u>			
Direct programs			
Consolidated Health Centers Cluster			
Consolidated Health Center	93.224	H80CS24107	\$ 2,224,148
Capital Assistance for Hurricane Recovery and Relief Efforts (CARE)	93.224	C13CS32049	<u>85,761</u>
Total U.S. Department of Health and Human Services Direct Programs			<u>2,309,909</u>
Pass-through			
The State of Florida Department of Health			
Centers for Disease Control – Expanded Testing Initiative	93.940	PB346	15,715
Full Service School Health Services Program SFY 2017-18	93.767	PB368	110,623
Full Service School Health Services Program SFY 2018-19	93.767	PB382	<u>51,400</u>
Total State of Florida Department of Health Pass-through			<u>177,738</u>
			<u>\$ 2,487,647</u>

See Independent Auditor's Report.
See accompanying Notes to Schedule of Expenditures of Federal Awards.

Genesis Community Health, Inc.
Notes to Schedule of Expenditures of Federal Awards
September 30, 2019

1. BASIS OF PRESENTATION

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. INDIRECT COST RATE

The Organization does not have a federally negotiated indirect cost rate and has not elected to use the ten percent de minimis cost rate.

4. RECEIVABLE FROM DEPARTMENT OF HEALTH AND HUMAN SERVICES

The Organization submits requests for reimbursement to the Department of Health and Human Services on a periodic basis. At September 30, 2019, there was a \$11,091 receivable from the Department of Health and Human Services.

5. SUBRECIPIENTS

The Organization did not provide any federal funds to subrecipients.

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

To the Board of Directors,
Genesis Community Health, 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 Genesis Community Health, Inc. (the "Organization") (a nonprofit organization), which comprise the statement of financial position as of September 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 21, 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 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 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Organization'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.

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.

Withum Smith + Brown, PC

February 21, 2020

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

To the Board of Directors,
Genesis Community Health, Inc.:

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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 each major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on Each Major Federal Program

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

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 of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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.

A handwritten signature in blue ink that reads "Withum Smith + Brown, PC". The signature is written in a cursive, flowing style.

February 21, 2020

**Genesis Community Health, Inc.
 Schedule of Findings and Questioned Costs
 Year Ended September 30, 2019**

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued on whether the financial statements were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:
 Material weakness(es) identified? Yes No
 Significant deficiencies identified? Yes None reported

Noncompliance material to financial statements noted? Yes No

Federal Awards Programs:

Internal control over major programs:
 Material weakness(es) identified? Yes No
 Significant deficiencies identified? Yes None reported

Type of auditor’s report issued on compliance for major federal programs Unmodified

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

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
93.224	Consolidated Health Centers
93.224	Capital Assistance for Hurricane Recovery and Relief Efforts (CARE)

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

Auditee qualified as low-risk auditee Yes No

SECTION II – FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

SECTION IV – PRIOR YEAR FINDINGS AND CORRECTIVE ACTION PLAN

No matters were reported.