

**Greater Prince William Area
Community Health Center, Inc. and
Subsidiary**

Consolidated Financial Statements and
Supplementary Information

June 30, 2023 and 2022

Greater Prince William Area Community Health Center, Inc. and Subsidiary

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Independent Auditors' Report

To the Board of Trustees of
Greater Prince William Area Community Health Center, Inc. and Subsidiary

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Greater Prince William Area Community Health Center, Inc. and Subsidiary (the Center), which comprise the consolidated balance sheets as of June 30, 2023 and 2022, and the related consolidated statements of operations and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Center as of June 30, 2023 and 2022, and the results of its operations, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* (*Government Auditing Standards*) issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Center and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

Change in Accounting Principle

As described in Note 1 to the consolidated financial statements, in 2023, the Center adopted new accounting guidance related to the accounting for leases. Our opinion is not modified with respect to this matter.

Correction of an Error

As discussed in Note 1 to the consolidated financial statements, the June 30, 2022 consolidated financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Center's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Center's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Center's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

Supplementary Information

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

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, changes in net assets and cash flows of the individual organizations, and it is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 12, 2024 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 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 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.

Baker Tilly US, LLP

Charleston, West Virginia
February 12, 2024

Greater Prince William Area Community Health Center, Inc. and Subsidiary

Consolidated Balance Sheets

June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u> (Restated)
Assets		
Current Assets		
Cash and cash equivalents	\$ 1,514,080	\$ 3,052,367
Accounts receivable:		
Patients	1,870,269	2,371,951
Estimated third-party payor settlements	2,752,278	1,869,412
Grants and other	126,119	268,886
Prepaid expenses and other current assets	109,646	73,041
	<u>6,372,392</u>	<u>7,635,657</u>
Total current assets	6,372,392	7,635,657
Investments	3,566,470	3,297,690
Investment in Community Care Network of Virginia	15,000	15,000
Security Deposits	122,994	121,994
Property and Equipment, Net	5,834,074	958,945
Finance Lease, Right-of-Use Assets	113,782	-
Operating Lease, Right-of-Use Assets	8,487,316	-
	<u>\$ 24,512,028</u>	<u>\$ 12,029,286</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 577,393	\$ 277,632
Accrued expenses	792,888	658,759
Deferred revenue	-	20,905
Current portion of:		
Finance lease obligations	56,503	-
Operating lease obligations	817,233	-
Current portion of long-term debt	45,455	-
	<u>2,289,472</u>	<u>957,296</u>
Total current liabilities	2,289,472	957,296
Deferred Rent	-	1,024,244
Finance Lease Obligations	58,896	-
Operating Lease Obligations	8,733,321	-
Long-Term Debt	2,332,385	-
	<u>13,414,074</u>	<u>1,981,540</u>
Total liabilities	13,414,074	1,981,540
Net Assets		
Without donor restrictions	10,911,287	9,911,079
With donor restrictions	186,667	136,667
	<u>11,097,954</u>	<u>10,047,746</u>
Total net assets	11,097,954	10,047,746
Total liabilities and net assets	<u>\$ 24,512,028</u>	<u>\$ 12,029,286</u>

See notes to consolidated financial statements

Greater Prince William Area Community Health Center, Inc. and Subsidiary

Consolidated Statements of Operations and Changes in Net Assets

Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u> (Restated)
Changes in Net Assets Without Donor Restrictions		
Revenues:		
Net patient service revenue	\$ 13,964,938	\$ 12,387,727
Grant and reimbursement revenue	6,070,734	7,880,796
Contributed services	14,744	57,567
Investment income (loss)	236,867	(517,883)
Other income	339,360	248,705
Net assets released from restrictions	<u>270,000</u>	<u>245,000</u>
Total revenues	<u>20,896,643</u>	<u>20,301,912</u>
Expenses:		
Program services:		
Primary care	7,730,436	6,857,731
OB-GYN care	2,855,004	2,680,140
Dental care	2,554,078	2,108,036
Behavioral health	<u>1,580,661</u>	<u>1,376,551</u>
Total program services	<u>14,720,179</u>	<u>13,022,458</u>
Supporting services:		
Management and general	<u>5,176,256</u>	<u>4,060,177</u>
Total expenses	<u>19,896,435</u>	<u>17,082,635</u>
Revenues in excess of expenses	<u>1,000,208</u>	<u>3,219,277</u>
Changes in net assets without donor restrictions	1,000,208	3,219,277
Changes in Net Assets With Donor Restrictions		
Grant and reimbursement revenue	320,000	220,000
Net assets released from restrictions	<u>(270,000)</u>	<u>(245,000)</u>
Changes in net assets with donor restrictions	<u>50,000</u>	<u>(25,000)</u>
Change in net assets	1,050,208	3,194,277
Net Assets, Beginning	<u>10,047,746</u>	<u>6,853,469</u>
Net Assets, Ending	<u><u>\$ 11,097,954</u></u>	<u><u>\$ 10,047,746</u></u>

See notes to consolidated financial statements

Greater Prince William Area Community Health Center, Inc. and Subsidiary

Consolidated Statement of Functional Expenses

Year Ended June 30, 2023

	Program Services					Supporting Services			Total Expenses
	Primary Care	OB-GYN Care	Dental Care	Behavioral Health	Total	Management and General	Fundraising Activities	Total	
Expenses									
Salaries, wages, payroll taxes and benefits	\$ 6,348,799	\$ 2,270,736	\$ 2,192,809	\$ 1,494,051	\$ 12,306,395	\$ 2,052,284	\$ -	\$ 2,052,284	\$ 14,358,679
Other personnel expenses	71,258	15,867	17,612	32,242	136,979	221,013	-	221,013	357,992
Travel and meetings	24	-	-	-	24	4,191	-	4,191	4,215
Equipment maintenance and rental	103,842	61,224	28,082	-	193,148	289,588	-	289,588	482,736
Supplies	881,885	115,086	205,647	1,706	1,204,324	86,261	-	86,261	1,290,585
Laboratory tests	61,277	292,797	-	-	354,074	-	-	-	354,074
Electronic health records	113,504	40,727	30,805	28,092	213,128	4,082	-	4,082	217,210
Contracted patient care services	20,168	7,461	6,114	-	33,743	-	-	-	33,743
Billing services	28,905	11,932	9,534	7,652	58,023	8,963	-	8,963	66,986
Professional fees	54,470	18,855	16,761	14,665	104,751	138,265	-	138,265	243,016
Information technology	-	-	-	-	-	187,894	-	187,894	187,894
Occupancy	-	-	-	-	-	1,343,646	-	1,343,646	1,343,646
Telecommunications	-	-	-	-	-	202,609	-	202,609	202,609
Insurance	-	-	-	-	-	50,228	-	50,228	50,228
Agency membership fees	-	-	-	-	-	35,418	-	35,418	35,418
Community outreach	5,000	-	-	-	5,000	29,055	-	29,055	34,055
Postage and printing	5,338	-	-	-	5,338	20,482	-	20,482	25,820
Merchant and bank charges	-	-	-	-	-	98,493	-	98,493	98,493
Interest	-	-	-	-	-	69,924	-	69,924	69,924
Depreciation	35,966	20,319	46,714	2,253	105,252	323,118	-	323,118	428,370
Other operating expenses	-	-	-	-	-	10,742	-	10,742	10,742
Total	<u>\$ 7,730,436</u>	<u>\$ 2,855,004</u>	<u>\$ 2,554,078</u>	<u>\$ 1,580,661</u>	<u>\$ 14,720,179</u>	<u>\$ 5,176,256</u>	<u>\$ -</u>	<u>\$ 5,176,256</u>	<u>\$ 19,896,435</u>

See notes to consolidated financial statements

Greater Prince William Area Community Health Center, Inc. and Subsidiary

Statement of Functional Expenses

Year Ended June 30, 2022 (Restated)

	Program Services					Supporting Services			Total Expenses
	Primary Care	OB-GYN Care	Dental Care	Behavioral Health	Total	Management and General	Fundraising Activities	Total	
Expenses									
Salaries, wages, payroll taxes and benefits	\$ 5,563,545	\$ 1,948,635	\$ 1,744,197	\$ 1,289,233	\$ 10,545,610	\$ 1,622,326	\$ -	\$ 1,622,326	\$ 12,167,936
Other personnel expenses	41,882	16,238	11,476	11,744	81,340	126,402	-	126,402	207,742
Travel and meetings	45	-	-	-	45	14,967	-	14,967	15,012
Equipment maintenance and rental	106,719	26,212	33,102	-	166,033	220,302	-	220,302	386,335
Supplies	670,972	133,687	193,004	6,512	1,004,175	69,094	-	69,094	1,073,269
Laboratory tests	175,289	435,710	-	-	610,999	-	-	-	610,999
Electronic health records	105,971	42,651	29,726	27,083	205,431	4,133	-	4,133	209,564
Contracted patient care services	26,174	9,413	8,061	2,100	45,748	17	-	17	45,765
Billing services	85,907	32,149	28,625	24,759	171,440	2,651	-	2,651	174,091
Professional fees	48,002	16,544	14,705	12,867	92,118	131,401	-	131,401	223,519
Information technology	-	-	-	-	-	108,175	-	108,175	108,175
Occupancy	-	-	-	-	-	1,223,318	-	1,223,318	1,223,318
Telecommunications	-	-	-	-	-	137,800	-	137,800	137,800
Insurance	-	-	-	-	-	36,895	-	36,895	36,895
Agency membership fees	-	-	-	-	-	31,379	-	31,379	31,379
Community outreach	139	-	-	-	139	40,172	-	40,172	40,311
Postage and printing	24	-	-	-	24	24,795	-	24,795	24,819
Merchant and bank charges	-	-	-	-	-	59,275	-	59,275	59,275
Depreciation	33,062	18,901	45,140	2,253	99,356	207,075	-	207,075	306,431
Total	\$ 6,857,731	\$ 2,680,140	\$ 2,108,036	\$ 1,376,551	\$ 13,022,458	\$ 4,060,177	\$ -	\$ 4,060,177	\$ 17,082,635

See notes to consolidated financial statements

Greater Prince William Area Community Health Center, Inc. and Subsidiary

Consolidated Statements of Cash Flows

Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u> (Restated)
Cash Flows From Operating Activities		
Change in net assets	\$ 1,050,208	\$ 3,194,277
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	369,014	306,431
Amortization of financing lease right-of-use assets	59,356	-
Change in operating lease right-of-use assets and obligations	1,089,856	-
Payments on operating lease obligations	(1,050,862)	-
Realized and unrealized (gains) losses on investments	(178,764)	610,524
Changes in assets and liabilities:		
Patient accounts receivable	501,682	(449,444)
Estimated third-party payor settlements	(882,866)	61,581
Grants and other receivable	142,767	(99,518)
Prepaid expenses and other current assets	(36,605)	(2,379)
Security deposits	(1,000)	-
Accounts payable	299,761	(337,950)
Accrued expenses	134,129	100,134
Deferred revenue	(20,905)	20,905
Deferred rent	-	4,010
	<u>1,475,771</u>	<u>3,408,571</u>
Net cash provided by operating activities	<u>1,475,771</u>	<u>3,408,571</u>
Cash Flows From Investing Activities		
Purchase of investments	(1,275,982)	(1,178,548)
Proceeds from sales of investments	1,185,966	-
Purchase of property and equipment	<u>(5,244,143)</u>	<u>(303,190)</u>
	<u>(5,334,159)</u>	<u>(1,481,738)</u>
Net cash used in investing activities	<u>(5,334,159)</u>	<u>(1,481,738)</u>
Cash Flows From Financing Activities		
Proceeds from issuance of long-term debt	3,650,000	-
Repayment of long-term debt	(1,272,160)	-
Repayment of financing lease obligations	<u>(57,739)</u>	<u>-</u>
	<u>2,320,101</u>	<u>-</u>
Net cash provided by financing activities	<u>2,320,101</u>	<u>-</u>
Change in cash and cash equivalents	(1,538,287)	1,926,833
Cash and Cash Equivalents, Beginning	<u>3,052,367</u>	<u>1,125,534</u>
Cash and Cash Equivalents, Ending	<u>\$ 1,514,080</u>	<u>\$ 3,052,367</u>
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest	<u>\$ 69,924</u>	<u>\$ -</u>
Supplemental Disclosure of Noncash Financing Activities		
Operating lease obligations incurred for right-of-use assets	<u>\$ 10,315,791</u>	<u>\$ -</u>
Finance lease obligations incurred for right-of-use assets	<u>\$ 173,138</u>	<u>\$ -</u>

See notes to consolidated financial statements

Greater Prince William Area Community Health Center, Inc. and Subsidiary

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

1. Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Greater Prince William Area Community Health Center, Inc. (the GPW Center) is a community based not-for-profit organization incorporated under the laws of the Commonwealth of Virginia in August 2005. The Center's mission is to increase access to high quality, comprehensive and preventive healthcare that is culturally sensitive in order to improve the health status of the uninsured, underserved and vulnerable individuals of Prince William County and the Cities of Manassas and Manassas Park.

The GPW Center operates health clinics in the Prince William County region and provides information and access to other community and governmental health services. The GPW Center provides health and medical, dental, behavioral, and OB-GYN care to residents on a fee schedule based upon criteria similar to that used by federal governmental agencies for determining eligibility for public assisted health care or based upon fee schedules as agreed with health insurance companies.

CC Center, LLC (the CC Center) is a limited liability company organized under the laws of the Commonwealth of Virginia in July 2022. The GPW Center is the sole member of the CC Center, which leases certain property and equipment to the GPW Center.

Principles of Consolidation

The consolidated financial statements include the accounts of Greater Prince William Area Community Health Center, Inc. and its subsidiary (the Center). All material intercompany balances and transactions have been eliminated in consolidation.

Basis of Accounting

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. Revenue is recognized when earned and expenses are recognized when incurred.

Income Taxes

The Center is a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code (IRC) and is exempt from federal income taxes on its exempt income under Section 509(a) of the IRC.

The Center accounts for uncertainty in income taxes using a recognition threshold of more-likely-than-not to be sustained upon examination by the appropriate taxing authority. Measurement of the tax uncertainty occurs if the recognition threshold has been met. Management has determined that there were no tax uncertainties that met the recognition threshold in 2023 and 2022.

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 and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include highly liquid investments with an original maturity of three months or less.

Greater Prince William Area Community Health Center, Inc. and Subsidiary

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

Accounts Receivable, Patients

The Center assesses collectability on patient contracts prior to the recognition of net patient service revenue. Patient accounts receivable are recorded at net realizable value. Accounts are written off through bad debt expense when the Center has exhausted all collection efforts and determines accounts are impaired based on changes in patient credit worthiness.

Investments and Investment Return

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the balance sheets. Investment income or loss (including realized and unrealized gains and losses on investments, interest and dividends) is included in revenues in excess of expenses unless the income or loss is restricted by donor or law. Interest income is measured as earned on the accrual basis. Dividends are measured on the ex-dividend date. Purchases and sales of securities and realized gains and losses are recorded on a trade-date basis.

Investments are comprised of a variety of financial instruments. The fair values reported in the balance sheets are subject to various risks including changes in the equity markets, the interest rate environment and general economic conditions. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the fair value of investment securities, it is reasonably possible that the amounts reported in the balance sheets could change materially in the future.

Investment in Community Care Network of Virginia

The Center carries its 3.7% Class A interest in the Community Care Network of Virginia, Inc. (the Network) at cost given that the Network is a small closely held corporation with no readily determinable market value. The Network has both voting and nonvoting common stock. The Network is an affiliation of managed health care clinics and provides technical support and software systems to assist community health centers throughout Virginia, including the Center.

Property and Equipment

Property and equipment acquisitions are recorded at cost and are depreciated over the estimated useful life ranging from five to seven years using the straight-line method. Leasehold improvements are recorded at cost and amortized over the shorter of the asset's useful life or the term of the lease period. The Center capitalizes all purchases above \$5,000 per unit and with a useful life of one or more years. The Center also capitalizes purchases of small and attractive assets (i.e., computers and other items determined to be particularly vulnerable to loss) with a unit cost of at least \$500. Expenditures for repairs and maintenance that do not extend the useful life of an asset and purchases of small items are expensed as incurred in accordance with the Center's capitalization policy.

Certain property and equipment have been purchased with grant funds received from the U.S. Department of Health and Human Services (HHS). These assets are considered to be owned by the Center while in use by current or future authorized programs; however, HHS retains a reversionary interest in these assets as well as the right to determine the use of any proceeds from the sale of such assets. Accordingly, the Center may not transfer, mortgage, assign, lease or in any other manner, encumber certain items without prior approval of HHS.

Donations of property and equipment are reported at fair value as an increase in net assets without donor restrictions unless use of the assets is restricted by the donor. Monetary gifts that must be used to acquire property and equipment are reported as restricted support. The expiration of such restrictions is reported as an increase in net assets without donor restriction when the donated asset is placed in service.

Lease Obligations and Right-of-Use Assets

The Center follows authoritative guidance found in the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 842, *Leases*. This guidance requires lessees to recognize the assets and liabilities that arise from leases on the balance sheet. At lease inception, leases are classified as either finance leases or operating leases with the associated right-of-use (ROU) asset and lease liability measured at the net present value of future lease payments using a discount rate. Operating leases are expensed on a straight-line basis as lease expense over the noncancelable lease term. Expenses for finance leases are comprised of the amortization of the right-of-use asset and interest expense recognized based on the effective interest method.

The lease term is the noncancellable period for which the Center has the right to use an underlying asset, together with all periods covered by extension or termination options that the Center is reasonably certain to exercise, as well as extension options in which the exercise of the option is controlled by the lessor. The lease term begins at the commencement date, which is the date on which the lessor makes an underlying asset available for use by the Center.

ASC Topic 842 provides for several accounting policy elections, as follows:

- When the rate implicit in the lease is not determinable, rather than use the Center's incremental borrowing rate, the Center elected to use a risk-free discount rate for the initial and subsequent measurement of lease liabilities for all asset classes;
- The Center elected not to apply the recognition requirements to all leases with an original term of 12 months or less, for which the Center is not likely to exercise a renewal option or purchase the asset at the end of the lease; rather, short-term leases will be recorded on a straight-line basis over the lease term; and
- The Center has elected the policy not to separate lease and nonlease components for its equipment leases.

The Center makes significant assumptions and judgments in applying the requirements of ASC Topic 842. In particular, the Center:

- Evaluates whether a contract contains a lease, by considering factors such as whether the Center obtained substantially all rights to control an identifiable underlying asset and whether the lessor has substantive substitution rights;
- Determines whether contracts contain embedded leases;
- Evaluates leases with similar commencement dates, lengths of term, renewal options or other contract terms, which therefore meet the definition of a portfolio of leases, whether to apply the portfolio approach to such leases; and
- Determines for leases that contain residual value guarantee, whether a payment at the end of the lease term is probable, and accordingly, whether to consider the amount of a residual value guarantee in future lease payments.

The future lease payments used to measure the lease liability include fixed payments, as well as the exercise price of any options to purchase the underlying asset that have been deemed reasonably certain of being executed, if applicable. Future lease payments for optional renewal periods that are not reasonably certain of being exercised are excluded from the measurement of the lease liability.

Greater Prince William Area Community Health Center, Inc. and Subsidiary

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

ROU assets represent the Center's right to use an underlying asset for the lease term, while lease liabilities represent the Center's obligation to make lease payments arising from the lease. For all leases, the ROU asset is initially derived from the measurement of the lease liability and adjusted for certain items, such as initial direct costs and lease incentives received. ROU assets are subject to long-lived impairment testing. The Center reassesses lease classification and remeasures ROU assets and lease liabilities when a lease is modified and that modification is not accounted for as a separate new lease or upon certain other events that require reassessment in accordance with the authoritative guidance.

Net Assets

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Center and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - net assets available for use in general operations and not subject to donor restrictions. All revenue not restricted by donors and donor-restricted contributions whose restrictions are met in the same period in which they are received are accounted for in net assets without donor 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. All revenues restricted by donors as to either timing or purpose of the related expenditures or required to be maintained in perpetuity as a source of investment income are accounted for in net assets with donor restrictions. When a donor restriction expires, that is when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions. Net assets with donor restrictions representing unexpended contributions received for operating expenditures totaled \$186,667 and \$136,667 at June 30, 2023 and 2022, respectively. Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes.

Net Patient Service Revenue

Net patient service revenue is recognized at the amount that reflects the consideration to which the Center expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payors (including commercial and governmental programs), and others and includes variable consideration for retroactive revenue adjustments due to settlement of audits, reviews and investigations. Generally, the Center bills the patients and third-party payors several days after the services are performed and/or the patient is discharged from the facility. Revenue is recognized as performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided by the Center. Revenues for performance obligations satisfied over time are recognized based on actual charges incurred in relation to total expected (or actual) charges. The Center believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to patients in our hospital receiving inpatient acute care services. The Center measures the performance obligation from admission into the hospital, or the commencement of an outpatient service, to the point when it is no longer required to provide services to that patient, which is generally at the time of discharge or completion of the outpatient services. Revenue for performance obligations satisfied at a point in time is generally recognized when goods or services are provided, and the Center does not believe it is required to provide additional services to the patient.

Greater Prince William Area Community Health Center, Inc. and Subsidiary

Notes to Consolidated Financial Statements

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The Center determines the transaction price based on standard charges for services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured or underinsured patients in accordance with the Center's policies, and/or implicit price concessions provided to uninsured or underinsured patients. The Center determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policies and historical experience. The Center determines its estimates of implicit price concessions based on its historical collection experience with a respective class of patient using a portfolio approach as a practical expedient to account for patient contracts as a collective group rather than individually. The financial statement effects of using this practical expedient are not materially different from an individual contract approach.

Sliding Fee Discounts

The Center has a sliding fee schedule for patients who meet certain criteria under its charity care policy. The sliding fees are amounts less than established rates. Because the Center does not pursue collection of amounts determined to qualify as charity care, they are not reported as net patient service revenue.

The Center maintains records to identify and monitor the level of charity care it provides. The costs associated with the charity care services provided are the difference between established rates and the sliding fees for qualified patients. The level of charity care provided by the Center amounted to approximately \$2,532,000 in 2023 and \$4,359,000 in 2022.

Grant Revenue

The Center accounts for grant revenue in accordance with the FASB ASC 958-605 guidance for conditional contributions and accordingly, revenues are recognized when conditions are substantially met. Revenue from grants designated for use in specific activities is recognized in the period when expenditures have been incurred in compliance with the grantor's restrictions. Grants awarded for the acquisition of long-lived assets are reported as changes to net assets without donor restrictions, in the absence of grantor stipulations to the contrary, during the fiscal year in which the assets are acquired or expended. Cash received in excess of revenue recognized is recorded as a refundable advance. Receivables from the grantor agency are reported at their outstanding unpaid balances as accounts receivable, grants and other in the accompanying balance sheets.

At June 30, 2023 and 2022, the Center has been awarded funding in the aggregate amount of approximately \$2,290,000 and \$4,318,000, respectively, which has not been recorded in the accompanying financial statements as the conditions of the grant agreements have not been substantially met.

Greater Prince William Area Community Health Center, Inc. and Subsidiary

Notes to Consolidated Financial Statements

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Health Center Program COVID-19 Supplemental Funding

In March 2021, the United States Congress passed the American Rescue Plan Act (ARPA), which also provided for supplemental funding to FQHCs for one-time support to plan, prepare for, promote, distribute, administer, and track COVID-19 vaccines; detect, diagnose, trace, and monitor COVID-19 infections and activities necessary to mitigate the spread of COVID-19; purchase equipment and supplies to conduct testing and vaccinations for COVID-19; establish, expand, and sustain the health care workforce to prevent, prepare for, and respond to COVID-19; modify, enhance, and expand health care services and infrastructure; and conduct community outreach and education activities related to COVID-19. This supplemental funding was provided through Health Resources and Services Administration (HRSA) and was calculated using a formula based on a minimum base value of \$500,000 plus \$125 per patient reported in the 2019 UDS plus \$250 per uninsured patient reported in the 2019 UDS. The Center was awarded \$4,712,875 of this funding. The Center incurred eligible expenses in accordance with the terms and conditions of this funding of \$1,780,597 in 2023 and \$2,932,278 in 2022, which was recognized and included in grant and reimbursement revenue in the accompanying consolidated statement of operations and changes in net assets. The Center received \$55,326 of this funding in 2023 and \$2,876,952 in 2022. The Center was eligible for the funding as eligible expenses are incurred in accordance with the terms and conditions of the funding through March 31, 2023, the end of the grant period.

The ARPA also created the Health Center Construction and Capital Improvements funding, which provides funds to support construction, expansion, alteration, renovation, and other capital improvements to modify, enhance, and expand health care infrastructure. On September 2, 2021, the Center was awarded \$711,255 of this funding. The Center received and incurred eligible expenses in accordance with the terms and conditions of this funding of \$290,755 in 2023 and \$420,500 in 2022, which was recognized and included in grant and reimbursement revenue in the accompanying consolidated statement of operations and changes in net assets. The Center is eligible for the funding as eligible expenses are incurred in accordance with the terms and conditions of the funding through September 14, 2024, the end of the grant period.

Noncompliance with the terms and conditions of these funding sources could result in repayment of some or all of the support, which can be subject to government review and interpretation. In addition, the funding received by the Center is subject to future reporting and audit requirements.

The Center has a significant concentration of grant revenues of approximately 90% and 86% from HHS in 2023 and 2022, respectively. Any significant reductions in these grants could have an adverse impact on the Center.

Contributions

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received. The gifts are reported as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restriction are reclassified as net assets without donor restriction and reported in the statements of operations and changes in net assets as net assets released from restrictions. Donor restricted contributions whose restrictions are met within the same year as received are reported as contributions without donor restriction in the accompanying statements of operations and changes in net assets.

Greater Prince William Area Community Health Center, Inc. and Subsidiary

Notes to Consolidated Financial Statements

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The Center periodically receives contributed services and goods from concerned citizens, community volunteers and board members to carry out its activities. Although the value of these services are valuable to the Center, the Center has not recorded such contributions as they do not meet the criteria for recognition under accounting principles generally accepted in the United States of America. The Center does receive other contributed services that do meet the requirement for recognition at estimated fair value. Contributed services that either create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would ordinarily be purchased by the Center are recognized at estimated fair value at the time of donations. The Center also recognizes contributed donations of medical supplies, laboratory services, facilities and other goods, including property and equipment, at estimated fair value at the time of donation.

Functional Allocation of Expenses

The Center summarizes the cost of providing its various programs and supporting services on a functional basis in the statements of operations and changes in net assets. Accordingly, certain expenses were allocated to the program and supporting services benefited, as further detailed in the statements of functional expenses.

Revenues in Excess of Expenses

The consolidated statements of operations and changes in net assets includes the determination of revenues in excess of expenses. The Center's operating revenues in excess of expenses includes all operating revenues and expenses that are an integral part of its programs and supporting activities, net assets released from donor restrictions to support operating expenditures, and transfers from board-designated and other nonoperating funds to support current operating activities.

Greater Prince William Area Community Health Center, Inc. and Subsidiary

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

Correction of an Error

During 2023, the Center identified errors in the data used to prepare the 2022 Medicare cost report. The Center restated the accompanying 2022 consolidated financial statements in 2023 to correct an error in estimated third-party payor settlements in its previously issued audited consolidated financial statements. The effect of the restatement on the June 30, 2022 consolidated financial statements are as follows:

	As Previously Reported	Adjustment	As Restated
Consolidated Balance Sheets			
Assets:			
Estimated third-party payor settlements	\$ 2,219,730	\$ (350,318)	\$ 1,869,412
Total current assets	7,985,975	(350,318)	7,635,657
Total assets	12,379,604	(350,318)	12,029,286
Liabilities and Net Assets:			
Net assets without donor restrictions	10,261,397	(350,318)	9,911,079
Total net assets	10,398,064	(350,318)	10,047,746
Total liabilities and net assets	12,379,604	(350,318)	12,029,286
Consolidated Statements of Operations and Changes in Net Assets			
Changes in Net Assets Without Donor Restrictions:			
Net patient service revenue	12,738,045	(350,318)	12,387,727
Total revenues	20,652,230	(350,318)	20,301,912
Revenues in excess of expenses	3,569,595	(350,318)	3,219,277
Changes in net assets without donor restrictions	3,569,595	(350,318)	3,219,277
Changes in net assets	3,544,595	(350,318)	3,194,277
Net assets, ending	10,398,064	(350,318)	10,047,746
Consolidated Statements of Cash Flows			
Cash flows from operating activities:			
Revenues in excess of expenses and changes in net assets	3,544,595	(350,318)	3,194,277
Changes in assets and liabilities:			
Estimated third-party payor settlements	(288,797)	350,318	61,581

New Accounting Standards Adopted

Effective July 1, 2022, the Center adopted the FASB issued Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)* and all related amendments using the modified retrospective approach. The Center's 2023 consolidated financial statements continue to be accounted for under the FASB's Topic 840 and have not been adjusted.

ASU No. 2016-02 requires lessees to recognize the assets and liabilities that arise from leases on the balance sheet. At lease inception, leases are classified as either finance leases or operating leases with the associated right-of-use asset and lease liability measured at the net present value of future lease payments. Operating leases are expensed on a straight-line basis as lease expense over the noncancelable lease term. Expenses for finance leases are comprised of the amortization of the right-of-use asset and interest expense recognized based on the effective interest method. At the date of adoption, the Center recorded financing and operating lease right-of-use assets and obligations of \$173,138 and \$10,315,791, respectively. The adoption did not have an impact on net assets.

Greater Prince William Area Community Health Center, Inc. and Subsidiary

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

New Accounting Standards Not Yet Adopted

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments—Credit Losses (Topic 326)*. The ASU introduces a new credit loss methodology, Current Expected Credit Losses (CECL), which requires earlier recognition of credit losses, while also providing additional transparency about credit risk. Since its original issuance in 2016, the FASB has issued several updates to the original ASU. The CECL methodology utilizes a lifetime "expected credit loss" measurement objective for the recognition of credit losses at the time the financial asset is originated or acquired. The expected credit losses are adjusted each period for changes in expected lifetime credit losses. The methodology replaces the multiple existing impairment methods in current GAAP, which generally require that a loss be incurred before it is recognized. The Center will be required to adopt the guidance in ASU No. 2016-02 for its year ending June 30, 2024. The Center has not yet determined the impact of the adoption on its financial statements.

Subsequent Events

The Center has evaluated subsequent events through February 12, 2024, which is the date the consolidated financial statements were available to be issued.

2. Net Patient Service Revenue

The Center has agreements with third-party payors that provide for payments to the Center at amounts different from its established rates. These payment arrangements include:

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

Medical Assistance - Covered FQHC services rendered to Medical Assistance program beneficiaries are paid based on a prospective reimbursement methodology. The Center is reimbursed at a predetermined encounter rate for all services under this plan. Services not covered under the FQHC benefit are paid based on established fee schedules.

Commercial - The Center has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations. The basis for payment to the Center under these agreements includes prospectively determined rates per unit and discounts from established charges.

Settlements with third party payors for retroactive adjustments due to audits, reviews or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence with the payor and the Center's historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known (that is, new information becomes available), or as years are settled or no longer subject to such audits, reviews and investigations. Adjustments arising from a change in the transaction price were not significant in 2023 or 2022.

Greater Prince William Area Community Health Center, Inc. and Subsidiary

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

Generally, patients who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. The Center also provides services to uninsured patients, and offers those uninsured or underinsured patients a discount, either by policy or law, from standard charges. The Center estimates the transaction price for patients with deductibles and coinsurance and from those who are uninsured based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charges by any contractual adjustment, discounts and implicit price concessions. Subsequent changes to the estimate of the transaction price are generally recorded as adjustment to patient service revenue in the period of the change. Subsequent changes that are determined to be the result of an adverse change in the patient's ability to pay are recorded as bad debt expense.

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

The Center has determined that the nature, timing and uncertainty of revenue and cash flows are affected by the following factors:

- Payors (for example, Medicare, Medical Assistance, commercial and self-pay) have different reimbursement and payment methodologies;
- Length of the patient's service/episode of care;
- Method of reimbursement (fee for service, prospective payment, etc.); and
- Line of business that provided the service (medical, dental, etc.)

The composition of net patient service revenue by primary payor for the years ending June 30 are as follows:

	2023	2022
Medical Assistance	\$ 9,708,961	\$ 9,196,024
Self-pay	2,053,100	924,760
Commercial	1,342,994	1,499,635
Medicare	859,883	767,308
Total net patient service revenue	<u>\$ 13,964,938</u>	<u>\$ 12,387,727</u>

3. Investments and Fair Value Measurements

The Center measures its long-term investments at fair value on a recurring basis in accordance with accounting principles generally accepted in the United States of America.

Fair value is defined as the price that would be received to sell an asset or the price that would be paid to transfer a liability in an orderly transaction between market participants at the measurement date. The framework established for measuring fair value includes a hierarchy used to classify the inputs used in measuring fair value. The hierarchy prioritizes the inputs used in determining valuations into three levels. The level in the fair value hierarchy within which the fair value measurement falls is determined based on the lowest level input that is significant to the fair value measurement. The levels of the fair value hierarchy are as follows:

Greater Prince William Area Community Health Center, Inc. and Subsidiary

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

Level 1 - Fair value is based on unadjusted quoted prices in active markets that are accessible to the Center for identical assets. These generally provide the most reliable evidence and are used to measure fair value whenever available.

Level 2 - Fair value is based on significant inputs, other than Level 1 inputs, that are observable either directly or indirectly for substantially the full term of the asset or liability through corroboration with observable market data. Level 2 inputs include quoted market prices in active markets for similar assets, quoted market prices in markets that are not active for identical or similar assets or liabilities, and other observable inputs. The Center held no Level 2 investments as of June 30, 2023 and 2022.

Level 3 - Fair value would be based on significant unobservable inputs. Examples of valuation methodologies that would result in Level 3 classification include option pricing models, discounted cash flows and other similar techniques. The Center held no Level 3 investments as of June 30, 2023 and 2022.

The following table presents financial instruments measured at fair value at June 30, 2023 and 2022, by caption on the balance sheets:

		2023	
		Level 1	Total
Investments:			
Mutual funds:			
Equity mutual funds	\$	2,160,314	\$ 2,160,314
Fixed income mutual funds		1,226,835	1,226,835
Real assets mutual funds		179,321	179,321
Total	\$	3,566,470	\$ 3,566,470
		2022	
		Level 1	Total
Investments:			
Mutual funds:			
Equity mutual funds	\$	1,874,039	\$ 1,874,039
Fixed income mutual funds		1,242,860	1,242,860
Real assets mutual funds		180,791	180,791
Total	\$	3,297,690	\$ 3,297,690

Valuation Methodologies

Mutual funds are valued based upon closing market prices reported on the quoted market prices in active markets for the same securities.

Investment Return

Investment income is included as a component of other income on the statements of operations and changes in net assets. Investment income is as follows for the years ending June 30:

	2023	2022
Interest and dividend income, net of fees	\$ 53,096	\$ 92,641
Realized gains on investments	14,152	39,935
Net change in unrealized gains and losses on investments	169,619	(650,459)
Total investment income	\$ 236,867	\$ (517,883)

Greater Prince William Area Community Health Center, Inc. and Subsidiary

Notes to Consolidated Financial Statements

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4. Property and Equipment

Property and equipment consists of the following at June 30:

	2023	2022
Land	\$ 1,093,000	\$ -
Leasehold improvements	4,596,469	1,106,703
Furniture and fixtures	1,864,285	1,450,541
Computer equipment	711,646	618,840
Vehicles	414,243	260,362
Total	8,679,643	3,436,446
Less accumulated depreciation	(2,845,569)	(2,477,501)
Property and equipment, net	\$ 5,834,074	\$ 3,436,446

5. Liquidity and Availability of Resources

Financial assets available for general expenditure within one year of the balance sheets date, consist of the following at June 30:

	2023	2022
Financial assets:		
Cash and cash equivalents	\$ 1,514,080	\$ 3,052,367
Accounts receivable:		
Patients, net	1,870,269	3,322,654
Estimated third-party payor settlements	2,752,278	1,869,412
Grants and other	126,119	268,886
Investments without donor restrictions	3,379,803	3,161,023
Total	\$ 9,642,549	\$ 11,674,342

As part of the Center's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

6. Long-Term Debt

	2023	2022
Note payable, see terms below	\$ 2,377,840	\$ -
Less current portion	(45,455)	-
Long-term debt, net of current portion	\$ 2,332,385	\$ -

Note Payable

In December 2022, the Center received a \$2,400,000 promissory note (the Note) from a financial institution. The proceeds of the Note were used to purchase the Woodbridge facility, the acquisition of certain office equipment, and to pay for the costs of issuance.

Greater Prince William Area Community Health Center, Inc. and Subsidiary

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

Beginning in January 2023, monthly payments of \$14,652, which includes principal and interest at a fixed rate of 5.44%, commenced. These payments are payable through December 2029 with a balloon payment of approximately \$2,036,000. Payments of principal and interest on the Note are secured by the gross revenues of the CC Center together with a lien on, and security interest in certain property and equipment of the CC Center. The loan agreement contains restrictive covenants, the most significant of which is the maintenance of minimum debt service coverage and minimum liquidity amounts.

Margin Loan

In October 2022, the Center received a \$1,250,000 margin loan (the Loan) from a financial institution. The proceeds of the Loan were used to purchase the land at new Woodbridge facility. In December 2022, the Loan balance was repaid in full.

Long-Term Debt Maturities

The long-term debt maturing in the next five years and thereafter is as follows:

2023	\$ 45,455
2024	48,386
2025	51,123
2026	54,016
2027	56,743
Thereafter	<u>2,122,117</u>
Total long-term debt	<u>\$ 2,377,840</u>

7. Leases

The Center has entered into three operating leases for its real property. The Center leases three medical office buildings located in Woodbridge, Manassas and Dumfries, Virginia. The Center's leases have terms of 10 years, 18 years and 10 years, respectively, including options for renewal periods that are considered reasonably certain to be exercised. The Center has finance leases for medical equipment.

The Center utilizes discount rates to determine the net present value of its gross lease obligations when calculating the lease liability and related right-of-use asset. In cases in which the rate implicit in the lease is readily determinable, the Center utilizes that discount rate for purposes of the net present value calculation. In most cases, the Center's lease agreements do not have a discount rate that is readily determinable. Therefore, the Center utilizes an estimate of its incremental borrowing rate (IBR), which approximates a risk-free rate of return.

Future minimum payments under operating leases as of June 30, 2023 were as follows:

Years ending June 30:	
2024	\$ 1,079,753
2025	1,109,444
2026	1,139,962
2027	1,171,323
2028	1,203,555
Thereafter	<u>5,258,269</u>
Total	10,962,306
Less amounts representing present value discount	<u>(1,411,752)</u>
Total operating lease obligations	<u>\$ 9,550,554</u>

Greater Prince William Area Community Health Center, Inc. and Subsidiary

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

Future minimum payments under finance leases as of June 30, 2023 were as follows:

Years ending June 30:	
2024	\$ 58,900
2025	27,000
2026	27,000
2027	6,750
Total	119,650
Less amounts representing present value discount	(4,251)
Total finance lease obligations	\$ 115,399

Other supplemental and cash flow lease information as of and for the years ended June 30, 2023 were as follows:

Cash paid for amounts included in the measurement of lease liabilities for finance leases:	
Operating cash flows	\$ 59,356
Financing cash flows	57,739
Cash paid for amounts included in the measurement of lease liabilities for operating leases:	
Operating cash flows	1,050,862
ROU assets obtained in exchange for lease liabilities:	
Finance leases	173,138
Operating leases	10,315,791
Weighted-average remaining lease term:	
Finance leases	3 years
Operating leases	10 years
Weighted-average discount rate:	
Finance leases	2.87%
Operating leases	2.89%

Lease Expense

Variable lease expense is related to the Center's real property leases and consists of variable property tax and insurance components that are for the benefit of the lessor and are remitted as part of the Center's lease payments. The Center's variable lease expense also includes expenses that result from rent adjustments required under lease agreements whereby rental increases (in full or in part) are based on changes in the Consumer Price Index (CPI) or similar variable index rates.

The Center's decisions regarding lease renewal options that are reasonably certain to be exercised have been incorporated as part of the lease term in right-of-use asset and lease liability calculations. To support these determinations, the Center evaluated each new lease that includes a renewal option (or options) to assess whether or not the future renewal options were reasonably certain to be exercised. The periods related to any renewal options deemed not reasonably certain to be exercised were excluded from the lease term with respect to the right-of-use asset and lease liability calculations.

Greater Prince William Area Community Health Center, Inc. and Subsidiary

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

Lease costs for the year ended June 30, 2023 as presented on the consolidated statement of functional expenses were as follows:

Finance lease cost:

Amortization of right-of-use assets, included in depreciation expense	\$ 59,356
Interest on lease obligations, included in interest expense	4,061
Operating lease cost, included in occupancy expense	<u>1,089,636</u>
Total lease expense	<u>\$ 1,153,053</u>

8. Retirement Plan

The Center maintains a 401(k) defined contribution retirement plan covering all employees meeting certain minimum eligibility requirements. Under the 401(k) plan, the Center annually contributes 3% of each eligible employee's compensation. During the fiscal years ended June 30, 2023 and 2022, the Center incurred retirement plan expenses associated with matching contributions totaling approximately \$366,000 and \$311,000, respectively.

9. Medical Malpractice

HHS deemed the Center and its practicing providers covered 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. FTCA coverage is comparable to an occurrence policy without a monetary cap.

Claim liabilities are determined without consideration of insurance recoveries. Expected recoveries are based upon the Center's claims experience, no accrual has been made for medical malpractice costs for the years ended June 30, 2023 and 2022. However, because of the risk of providing health care services, it is possible that an event has occurred which will be the basis of a future material claim.

10. Contingencies

Healthcare Industry

The healthcare industry is subject to numerous laws and regulations of federal, state and local governments. Compliance with these laws and regulations is subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time. Government activity continues to increase with respect to investigations and allegations concerning possible violations by healthcare providers of fraud and abuse statutes and regulations, which could result in the imposition of significant fines and penalties as well as significant repayments for patient services previously billed. Management is not aware of any material incidents of noncompliance that have not been provided for in the accompanying financial statements; however, the possible future financial effects of this matter on the Center, if any, are not determinable.

Federal and State Awards

The Center participates in both state and federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The Center is potentially liable for any expenditures which may be disallowed pursuant to the terms of these grant programs. Management is not aware of any material items of noncompliance which would result in the disallowance of program expenditures.

Greater Prince William Area Community Health Center, Inc. and Subsidiary

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

11. Concentrations of Credit Risk

The Center maintains substantially all of its cash and cash equivalents with financial institutions. Total cash balances are insured up to \$250,000 by the Federal Deposit Insurance Center. The balances at times may exceed the insurance limit and management considers this to be a normal business risk.

The Center grants credit without collateral to its patients, most of whom are local residents insured under third-party payor arrangements, primarily with Medicare, Medicaid and various commercial insurance companies. The Center maintains allowances for potential credit losses and such losses have historically been within management's expectations.

The mix of accounts receivable, patients as of June 30 is as follows:

	2023	2022
Medical Assistance	52 %	55 %
Self-pay	13	28
Medicare	15	15
Commercial	20	2
	<u>100 %</u>	<u>100 %</u>

**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***

Independent Auditors' Report

To the Board of Directors of
Greater Prince William Area Community Health Center, Inc. and Subsidiary

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the consolidated financial statements of the Greater Prince William Area Community Health Center, Inc. and Subsidiary (the Center), which comprise the Center's consolidated balance sheet as of June 30, 2023, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 12, 2024.

Report on 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 (internal control) as a basis for designing 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 preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a deficiency in internal control that we consider to be a material weakness and another deficiency that we consider to be a significant deficiency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2023-002 to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2023-001 to be a significant deficiency.

Report on 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 its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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*.

The Center's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Center's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Center's response was not subjected to the other auditing procedures applied in the audit of the consolidated 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 black ink that reads "Baker Tilly US, LLP". The signature is written in a cursive, flowing style.

Charleston, West Virginia
February 12, 2024

**Report on Compliance
for the Major Federal Program and
Report on Internal Control Over Compliance
Required by the Uniform Guidance**

Independent Auditors' Report

To the Board of Directors of
Greater Prince William Area Community Health Center, Inc. and Subsidiary

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited the Greater Prince William Area Community Health Center, Inc. and Subsidiary's (the Center) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on the Center's major federal program for the year ended June 30, 2023. The Center's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

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 its major federal program for the year ended June 30, 2023.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Center and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of the Center's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Center's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Center's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Center's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Center's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the Center's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Center's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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 black ink that reads "Baker Tilly US, LLP". The signature is written in a cursive, flowing style.

Charleston, West Virginia
February 12, 2024

Greater Prince William Area Community Health Center, Inc. and Subsidiary

Consolidating Balance Sheet
June 30, 2023

	Greater Prince William Area Community Health Center, Inc.	CC Center, LLC	Eliminations	Total
Assets				
Current Assets				
Cash and cash equivalents	\$ 1,502,339	\$ 11,741	\$ -	\$ 1,514,080
Accounts receivable:				
Patients	1,870,269	-	-	1,870,269
Estimated third-party payor settlements	2,752,278	-	-	2,752,278
Grants and other	126,119	-	-	126,119
Due from related parties	131,638	-	(131,638)	-
Prepaid expenses and other current assets	104,204	5,442	-	109,646
Total current assets	6,486,847	17,183	(131,638)	6,372,392
Investments	3,566,470	-	-	3,566,470
Investment in Community Care Network of Virginia	15,000	-	-	15,000
Investment in CC Center, LLC	1,116,178	-	(1,116,178)	-
Security Deposits	122,994	-	-	122,994
Property and Equipment, Net	2,204,871	3,629,203	-	5,834,074
Finance Lease, Right-of-Use Assets	113,782	-	-	113,782
Operating Lease, Right-of-Use Assets	8,487,316	-	-	8,487,316
Total assets	<u>\$ 22,113,458</u>	<u>\$ 3,646,386</u>	<u>\$ (1,247,816)</u>	<u>\$ 24,512,028</u>
Liabilities and Net Assets				
Current Liabilities				
Accounts payable	\$ 556,663	\$ 20,730	\$ -	\$ 577,393
Accrued expenses	792,888	-	-	792,888
Due to related parties	-	131,638	(131,638)	-
Current portion of:				
Finance lease obligations	56,503	-	-	56,503
Operating lease obligations	817,233	-	-	817,233
Current portion of long-term debt	-	45,455	-	45,455
Total current liabilities	2,223,287	197,823	(131,638)	2,289,472
Finance Lease Obligations	58,896	-	-	58,896
Operating Lease Obligations	8,733,321	-	-	8,733,321
Long-Term Debt	-	2,332,385	-	2,332,385
Total liabilities	<u>11,015,504</u>	<u>2,530,208</u>	<u>(131,638)</u>	<u>13,414,074</u>
Net Assets				
Without donor restrictions	10,911,287	1,116,178	(1,116,178)	10,911,287
With donor restrictions	186,667	-	-	186,667
Total net assets	<u>11,097,954</u>	<u>1,116,178</u>	<u>(1,116,178)</u>	<u>11,097,954</u>
Total liabilities and net assets	<u>\$ 22,113,458</u>	<u>\$ 3,646,386</u>	<u>\$ (1,247,816)</u>	<u>\$ 24,512,028</u>

Greater Prince William Area Community Health Center, Inc. and Subsidiary

Consolidating Statement of Operations and Changes in Net Assets
Year Ended June 30, 2023

	Greater Prince William Area Community Health Center, Inc.	CC Center, LLC	Eliminations	Total
Changes in Net Assets Without Donor Restrictions				
Revenues:				
Net patient service revenue	\$ 13,964,938	\$ -	\$ -	\$ 13,964,938
Grant and reimbursement revenue	6,070,734	-	-	6,070,734
Contributed services	14,744	-	-	14,744
Investment income	236,867	-	-	236,867
Other income	339,360	198,276	(198,276)	339,360
Net assets released from restrictions	270,000	-	-	270,000
Total revenues	20,896,643	198,276	(198,276)	20,896,643
Expenses:				
Program services:				
Primary care	7,730,436	-	-	7,730,436
OB-GYN care	2,855,004	-	-	2,855,004
Dental care	2,554,078	-	-	2,554,078
Behavioral health	1,580,661	-	-	1,580,661
Total program services	14,720,179	-	-	14,720,179
Supporting services:				
Management and general	5,176,256	262,635	(262,635)	5,176,256
Total expenses	19,896,435	262,635	(262,635)	19,896,435
Revenues in excess of (less than) expenses	1,000,208	(64,359)	64,359	1,000,208
Contributions from members	-	1,180,537	(1,180,537)	-
Changes in net assets without donor restrictions	1,000,208	1,116,178	(1,116,178)	1,000,208
Changes in Net Assets With Donor Restrictions				
Grant and reimbursement revenue	320,000	-	-	320,000
Net assets released from restrictions	(270,000)	-	-	(270,000)
Changes in net assets with donor restrictions	50,000	-	-	50,000
Change in net assets	1,050,208	1,116,178	(1,116,178)	1,050,208
Net Assets, Beginning	10,047,746	-	-	10,047,746
Net Assets, Ending	<u>\$ 11,097,954</u>	<u>\$ 1,116,178</u>	<u>\$ (1,116,178)</u>	<u>\$ 11,097,954</u>

Greater Prince William Area Community Health Center, Inc. and Subsidiary

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2023

Federal Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Agency	Pass-Through Agency Identifying Number	Federal Expenditures	Payments Made to Subrecipients
Department of Health and Human Services, Health Resources and Services Administration					
Health Center Program	93.224	N/A	N/A	\$ 771,691	\$ -
Health Center Program	93.224	N/A	N/A	74,507	-
Health Center Program - ARPA FQHC Supplemental Funding (COVID-19)	93.224	N/A	N/A	1,780,597	-
Subtotal				2,626,795	-
Grants for New and Expanded Services Under the Health Center Program	93.527	N/A	N/A	27,298	-
Grants for New and Expanded Services Under the Health Center Program	93.527	N/A	N/A	1,619,516	-
Grants for New and Expanded Services Under the Health Center Program	93.527	N/A	N/A	918,589	-
Subtotal				2,565,403	-
Total Health Center Program Cluster				5,192,198	-
Grants for Capital Development in Health Centers (COVID-19)	93.526	N/A	N/A	290,755	-
HRSA COVID-19 Claims Reimbursement for the Uninsured Program and the COVID-19 Coverage Assistance Fund	93.461	N/A	N/A	1,276	-
Total expenditure of federal awards				\$ 5,484,229	\$ -

See notes to schedule of expenditures of federal awards

Greater Prince William Area Community Health Center, Inc. and Subsidiary

Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2023

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Greater Prince William Area Community Health Center, Inc. and Subsidiary (the Center) under programs of the federal government for the year ended June 30, 2023. The information in the Schedule is presented in accordance with the 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). Because the Schedule presents only a selected portion of the operations of the Center, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Center.

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. Negative amounts shown on the Schedule (where applicable) represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where applicable.

3. Indirect Costs

The Center has not elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

Greater Prince William Area Community Health Center, Inc. and Subsidiary

Schedule of Findings and Questioned Costs
Year Ended June 30, 2023

Section I - Summary of Auditors' Results

Financial Statements

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

Internal control over financial reporting:

Material weakness(es) identified?	<u> X </u> yes	<u> </u> no
Significant deficiency(ies) identified?	<u> X </u> yes	<u> </u> none reported

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major programs:

Material weakness(es) identified?	<u> </u> yes	<u> X </u> no
Significant deficiency(ies) identified?	<u> </u> yes	<u> X </u> none reported

Type of auditor's report issued on compliance for major programs: Unmodified

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

Identification of major programs:

<u>Federal Assistance Listing Number(s)</u>	<u>Name of Federal Program or Cluster</u>
93.224/93.527	Health Center Program Cluster (Community Health Centers and Affordable Care Act Grants for New and Expanded Services Under the Health Center Program)

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

Auditee qualified as low-risk auditee? X yes no

Greater Prince William Area Community Health Center, Inc. and Subsidiary

Schedule of Findings and Questioned Costs

Year Ended June 30, 2023

Section II - Financial Statement Findings

2023-001 - Internal Control Over Financial Reporting - Net Realizable Value of Patient Accounts Receivable - Significant Deficiency

Repeat of prior year finding 2022-001

Criteria: Patient accounts receivable are required to be recognized at their net realizable value in accordance with generally accepted accounting principles.

Condition/Context: In order to evaluate the net realizable value of patient accounts receivable, the Center prepares an analysis based on current and historical collection experience.

Effect: An adjustment was required to decrease patient accounts receivable and net patient service revenues by \$388,520.

Cause: The initial calculation of the net realizable value of patient accounts receivable at June 30, 2023 did not account for the fact that current year collections experience was substantially different from prior years due to the transfer of billing services from a third-party provider to an in house department. Such changes in the billing processes and personnel resulted in significant write-offs and adjustments of account receivable balances subsequent to year-end.

Recommendation: We recommend that management implement procedures to ensure patient accounts receivable are appropriately accounted for at their net realizable value in accordance with generally accepted accounting principles.

Views of Responsible Officials and Planned Corrective Action: Management concurs with the finding. Moving forward, management will prepare their calculations of contractual allowances and bad debts based on accounts receivable days outstanding using historical collections information. The billing department will focus on timely filing and re-filing of denied claims as well as any unprocessed contractual adjustments on a regular basis. Remediation was completed on December 31, 2023.

2023-002 - Internal Control Over Financial Reporting - Correction of an Error - Material Weakness

Criteria: Segregation of duties and internal controls over the preparation of the cost report, which is used in the calculation of estimated third-party payor settlements.

Condition/Context: In order to evaluate the estimated third-party payor settlements, the Center prepares a cost report based on current year data and third-party payments received.

Effect: The Center restated the accompanying 2022 consolidated financial statements in 2023 to correct an error in estimated third-party payor settlements in its previously issued audited consolidated financial statements. The effect of the restatement on the June 30, 2022 consolidated balance sheet was to decrease estimated third-party payors settlements and net assets without donor restrictions by the \$361,473. The effect on the consolidated statement of operations and change in net assets for year ended June 30, 2022 was a decrease in net patient service revenue of \$361,473. There was no effect on the consolidated statement of cash flows for the year ended June 30, 2022.

Cause: The Center did not have proper segregation of duties and controls over the estimated third-party payor settlements.

Recommendation: We recommend that management implement procedures to ensure proper segregation of duties and internal controls, including review of calculations and the cost report, over the calculation of estimated third-party payor settlements.

Greater Prince William Area Community Health Center, Inc. and Subsidiary

Schedule of Findings and Questioned Costs
Year Ended June 30, 2023

Views of Responsible Officials and Planned Corrective Action: Management concurs with the finding. Moving forward, the annual cost reports will be prepared by either the CEO/CFO or controller and the prepared cost reports will be reviewed by the individual that did not prepare the reports. Remediation was completed on December 31, 2023.

Section III - Federal Award Findings and Questioned Costs

None.

Greater Prince William Area Community Health Center, Inc. and Subsidiary

Schedule of Prior Audit Findings

Year Ended June 30, 2023

Section IV - Schedule of Prior Audit Findings

2022-001 - Internal Control Over Financial Reporting - Net Realizable Value of Patient Accounts Receivable - Significant Deficiency

Criteria: Patient accounts receivable are required to be recognized at their net realizable value in accordance with generally accepted accounting principles.

Condition/Context: In order to evaluate the net realizable value of patient accounts receivable, the Center prepares an analysis based on current and historical collection experience.

Effect: An adjustment was required to decrease patient accounts receivable and net patient service revenues by \$950,703.

Cause: The initial calculation of the net realizable value of patient accounts receivable at June 30, 2022 did not account for the fact that current year collections experience was substantially different from prior years due to the transfer of billing services from a third-party provider to an in house department. Such changes in the billing processes and personnel resulted in significant write-offs and adjustments of account receivable balances subsequent to year-end.

Action Taken: Management concurs with the finding but was not able to implement procedures during the current year. A similar finding was noted in the current year and reported in the schedule of findings and questioned costs as Finding 2023-001.



February 9, 2024

Greater Prince William Community Health Center, Inc. & Subsidiary
Corrective Action Plan
For the Year Ended June 30, 2023

**Finding 2023-001 - Internal Control Over Financial Reporting - Net Realizable Value of Patient Accounts
Receivable - Significant Deficiency**

Criteria: Patient accounts receivable are required to be recognized at their net realizable value in accordance with generally accepted accounting principles.

Condition/Context: In order to evaluate the net realizable value of patient accounts receivable, the Center prepares an analysis based on current and historical collection experience.

Effect: An adjustment was required to decrease patient accounts receivable and net patient service revenues by \$388,520.

Cause: The initial calculation of the net realizable value of patient accounts receivable at June 30, 2023 did not account for the fact that current year collections experience was substantially different from prior years due to the transfer of billing services from a third-party provider to an in house department. Such changes in the billing processes and personnel resulted in significant write-offs and adjustments of account receivable balances subsequent to year-end.

Corrective Action Plan:

Corrective Action Planned: Analysis of Aged Accounts Receivable reviewed estimated contractual allowance and patients' bad debt allowance calculated for each days outstanding: 0-30 Days, 31-60 Days, 61-90 Days, 91-120 Days, 121-150 Days, 151-180 Days, 181-210 Days, 210-240 Days, 241-270 Days, 271-300 Days, 301-330 Days, 331-360 Days and over 360 Days

Name(s) of Contact Person(s) Responsible for Corrective Action:

Melissa Moorer, Billing and Coding Supervisor

Jennifer Checo, Controller

Mark Meye, CEO and CFO

Anticipated Completion Date: December 31, 2023



Finding 2023-002 - Internal Control Over Financial Reporting - Correction of an Error - Material Weakness

Criteria: Segregation of duties and internal controls over the preparation of the cost report, which is used in the calculation of estimated third-party payor settlements.

Condition/Context: In order to evaluate the estimated third-party payor settlements, the Center prepares a cost report based on current year data and third-party payments received.

Effect: The Center restated the accompanying 2022 consolidated financial statements in 2023 to correct an error in estimated third-party payor settlements in its previously issued audited consolidated financial statements. The effect of the restatement on the June 30, 2022 consolidated balance sheet was to decrease estimated third-party payors settlements and net assets without donor restrictions by the \$361,473. The effect on the consolidated statement of operations and change in net assets for year ended June 30, 2022 was a decrease in net patient service revenue of \$361,473. There was no effect on the consolidated statement of cash flows for the year ended June 30, 2022.

Cause: The Center did not have proper segregation of duties and controls over the estimated third-party payor settlements.

Corrective Action Plan:

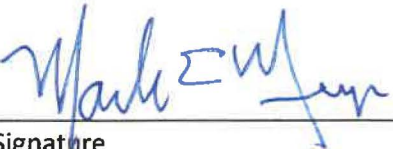
Corrective Action Planned: The preparation of the annual cost reports will be prepared by either the CEO/CFO or Controller and the prepared cost reports reviewed by the other.

Name(s) of Contact Person(s) Responsible for Corrective Action:

Jennifer Checo, Controller

Mark Meye, CEO and CFO

Anticipated Completion Date: December 31, 2023



Signature



Title