Family First Health Corporation

Financial Statements,
Schedule of Expenditures of Federal Awards,
Internal Control and Compliance
(With Supplementary Information)
and Independent Auditor's Reports

March 31, 2023

CohnReznick
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Family First Health Corporation

Index

Independent Auditor's Report

To the Board of Directors
Family First Health Corporation

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Family First Health Corporation (the "Center"), which comprise the statement of financial position as of March 31, 2023, and the related statements of activities and change in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Center as of March 31, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit 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,* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the 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 audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the 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 for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 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 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 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 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 audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is not a required part of the financial statements. The supplementary information on page 28 is also presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, (except for the information marked as unaudited on page 28) the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 18, 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.

CohnReznick LLP

Baltimore, Maryland
January 18, 2024

Family First Health Corporation

Statement of Financial Position
March 31, 2023

Assets

Current assets		
Cash and cash equivalents	$	6,226,807
Investments		302,372
Patient services receivable, net		2,440,573
Grants receivable		577,368
Contracts receivable		58,732
340B pharmacy receivable		452,261
Prepaid expenses and other		178,226
Total current assets		10,236,339
Other assets		
Security deposits		27,348
Right-of-use assets, operating leases		2,738,591
Property and equipment, net		4,111,042
Interest swap receivable		116,300
Total other assets		6,993,281
Total assets	$	17,229,620

Liabilities and Net Assets

Current liabilities		
Current maturities of long-term debt	$	185,554
Accounts payable and accrued expenses		1,300,530
Accrued payroll and taxes		1,074,927
Accrued interest		9,502
Accrued wrap payable		200,001
Refundable advances		535,751
Operating lease obligations, current portion		481,916
Total current liabilities		3,788,181
Long-term liabilities		
Operating lease obligations, net of current portion		2,798,227
Long-term debt, less current maturities		1,791,626
Total liabilities		8,378,034
Commitments and contingencies		
Net assets		
Without donor restrictions		8,851,586
Total liabilities and net assets	$	17,229,620

See Notes to Financial Statements.

Family First Health Corporation

Statement of Activities and Change in Net Assets
Year Ended March 31, 2023

Revenue without donor restrictions	
Patient service revenue (net of contractual allowances and discounts)	$ 19,277,533
DHHS 330 grant revenue	2,872,877
Ryan White Part C Grant	539,957
Family Health Council of Central PA, Inc.	395,432
Maternal Infant Early Childhood	84,274
Nurse Family Partnership (OCDEL)	788,926
SOR Funding	152,703
Contract services and other grants	2,463,973
COVID-19 grants	3,234,990
340B pharmacy	4,981,321
In-kind contributions	601,537
Investment income, net	12,650
Rental income	45,666
Value based quality incentives	1,034,247
Other revenue	31,751
Total revenue without donor restrictions	36,517,837
Operating expenses	
Salaries and related benefits	19,618,557
Other than personnel services	11,505,794
In-kind contributions	601,537
Interest expense	81,289
Total operating expenses	31,807,177
Operating income prior to depreciation and amortization	4,710,660
Depreciation and amortization	316,461
Operating income	4,394,199
Nonoperating activities	
Unrealized gain on interest rate swap	92,736
Unrealized loss on investments	(28,598)
Change in net assets	4,458,337
Net assets, beginning of year	4,393,249
Net assets, end of year	$ 8,851,586

See Notes to Financial Statements.

Family First Health Corporation

Statement of Functional Expenses
Year Ended March 31, 2023

	Program services	General and administrative	Fundraising	Total
Salaries and wages	$ 12,879,535	$ 2,548,939	$ -	$ 15,428,474
Fringe benefits	3,527,288	662,795	-	4,190,083
Consultant and contractual services	1,732,474	11,569	-	1,744,043
Professional fees	45,387	438,228	-	483,615
Pharmacy, laboratory and radiology fees	4,328,934	-	-	4,328,934
Consumable supplies	1,880,442	48,705	-	1,929,147
Insurance	1,205	57,575	-	58,780
Equipment rental, purchases and maintenance	1,024,536	126,045	-	1,150,581
Travel, conferences and meetings	142,301	55,263	-	197,564
Dues and subscriptions	57,774	73,766	-	131,540
Printing, publications and postage	26,354	10,643	-	36,997
Training and seminars	55,181	10,996	-	66,177
Interest	81,289	-	-	81,289
Rent	672,905	-	-	672,905
Utilities	236,530	-	-	236,530
Other expenses	442,562	625,904	2,052	1,070,518
Total expenses before depreciation	27,134,697	4,670,428	2,052	31,807,177
Depreciation and amortization	256,315	60,146	-	316,461
Total functional expenses	$ 27,391,012	$ 4,730,574	$ 2,052	$ 32,123,638

See Notes to Financial Statements.

Family First Health Corporation

Statement of Cash Flows
Year Ended March 31, 2023

Cash flows from operating activities	
Change in net assets	$ 4,458,337
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation	316,461
Amortization of debt issuance costs	6,658
Provision for bad debts	502,272
Unrealized gain on interest rate swap	(92,736)
Net realized and unrealized loss on investments	24,172
Amortization of right-of-use asset - operating	424,127
Changes in assets and liabilities	
Patient services receivable	(1,685,778)
Grants receivable	1,788,588
Other receivables	63,179
Prepaid and other expenses	(39,571)
Accounts payable and accrued expenses	338,222
Accrued payroll and taxes	167,672
Accrued interest	3,218
Refundable advance	(589,637)
Deferred revenue	(1,331,604)
Operating lease liabilities	(194,263)
Net cash provided by operating activities	4,159,317
Cash flows from investing activities	
Purchase of investments	(45,355)
Proceeds from sale of investments	42,687
Purchase of property and equipment	(1,363,711)
Net cash used in investing activities	(1,366,379)
Cash flows from financing activities	
Principal payments on long-term debt	(163,948)
Net cash used in financing activities	(163,948)
Net increase in cash and cash equivalents	2,628,990
Cash and cash equivalents, beginning	3,597,817
Cash and cash equivalents, end	$ 6,226,807
Supplemental disclosure of cash flow information	
Cash paid during the year for interest	$ 71,413
Right-of-use assets in exchange for operating lease liabilities	$ 3,162,718

See Notes to Financial Statements.

Note 1 - Organization and summary of significant accounting policies

Family First Health Corporation (the "Center") is a not-for-profit Federally Qualified Health Center network located in the city of York and counties of York, Adams, Lebanon and Lancaster, Pennsylvania. The Center provides various health services to a largely medically underserved population. The Center is incorporated as a not-for-profit corporation under the laws of the Commonwealth of Pennsylvania and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (the "Code").

The U.S. Department of Health and Human Services ("DHHS") provides substantial support to the Center. The Center is obligated under the terms of the DHHS grants to comply with specified conditions and program requirements set forth in the agreements.

The network consists of the following:

116 South George Street site (Federally Qualified Health Center)
At this location, the Center provides the following services: primary medical and dental care, pediatric care, immunizations, sexually transmitted disease testing and treatment, preventive care, routine health examinations, drivers' physical exam, referrals, HIV counseling and testing, reproductive health care, nutrition counseling, optometry and behavioral health. Its target population includes the uninsured and underinsured population in York County by reason of access, condition, payment source, or other factors creating a barrier to health care. It serves all ages and utilizes board certified physicians, certified registered nurse practitioners, physicians' assistants, and residency trained dentists. In addition, 116 South George Street has various service contracts with the York City Bureau of Health and Family Health Council of Central Pennsylvania.

Family First Health Community Services Division
The Community Service division provides case management services primarily for people infected with or affected by the HIV virus or AIDS. It serves clients at the Center's 116 South George Street site, as well as those using other community providers. Family First Health Community Services offers assistance with obtaining medical/dental services (including nursing, prescriptions, and hospice), enrollment in clinical trials, nutritional supplements and counseling (individual, couple, family, drug/alcohol, HIV, mental health), HIV testing, therapy sessions in English and Spanish, support group assistance, transportation, legal assistance, housing, rental assistance, food bank access and information, and behavioral health.

Hannah Penn Family Health Center (Federally Qualified Health Center)
The Hannah Penn Family Health Center is a school-based health center in the York City School District providing services to students and their families along with other community members. Its services include physicals, sick visits, health and wellness information, prevention and screenings, patient education, counseling, and referrals to other community services. It is funded by grants from WellSpan Healthcare Services, York City School District, and United States Public Health Service Title 330 (the "PHS").

Rural Centers (Federally Qualified Health Centers)
The Rural Centers, located in Gettysburg, Hanover, Lebanon and Columbia, serve the uninsured and underinsured populations of York, Adams and Lancaster Counties. Their primary funding source is the Title 330 Grant. They provide medical and dental services including immunizations, STD tests, and referrals. WellSpan Healthcare Services provides funding for the

Gettysburg medical and dental service as well as Lebanon Medical services Lebanon is the only rural site that does not offer Dental services.

Basis of presentation
The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America.

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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Classification of net assets
The Center classifies its net assets into two categories, which are described as follows:

Net assets without donor restrictions are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Center. Net assets without donor restrictions include resources that the governing board may use for any designated purpose and resources whose use is limited by agreement between the Center and an outside party other than a donor or grantor.

Net assets with donor restrictions are net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Center or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities and change in net assets.

Cash and cash equivalents
The Center maintains its cash and cash equivalents in bank deposit accounts which, at times, may exceed the limits of Federal Deposit Insurance Corporation ("FDIC") insurance coverage. The Center's bank deposits exceeded FDIC limits at various times during the year ended March 31, 2023. However, the Center has not experienced any losses in such accounts. The Center monitors its financial institutions and the concentration of credit risk on a regular basis and does not anticipate nonperformance by the financial institutions. All highly-liquid investments with maturities of three months or less when purchased are considered to be cash equivalents.

Investments
Investments are recorded in the accompanying financial statements at fair value, which have been determined using quoted market prices. Unrealized gains and losses are reported in investment income, net and are included in the change in net assets. Investment income and gains and losses are reported as increases or decreases in net assets without donor restrictions in the reporting period in which the income and gains and losses are recognized.

The Center's investment transactions are made based on its existing investment policy. The Center invests in a portfolio that contains money market funds and mutual funds. Such investments are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with such investments and the uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term could materially affect the investment balances and the amounts reported in the financial statements.

Fair value of financial instruments
The Center's material financial instruments at March 31, 2023, for which disclosure of estimated fair value is required by certain accounting standards consisted of cash and cash equivalents, investments, patient services receivable, accounts payable, interest rate swap and obligations to unrelated parties. The fair values of cash and cash equivalents, patient services receivable and accounts payable are equal to their carrying value because of their liquidity and short-term maturity. Investments are stated at fair value as described in Note 3. Management believes that the fair values of obligations to unrelated parties do not differ materially from their aggregate carrying values in that substantially all the obligations bear variable interest rates that are based on market rates or interest rates that are periodically adjusted to rates that are based on market rates. The fair value of the obligation related to the interest rate swap is described in Note 3.

Contract services and other grants receivable
Contract services and other grants receivable reflect amounts earned but not yet collected. The Center considers all contract services and other grants receivable as collectible.

Contributions
Transactions where the resource provider often receives value indirectly by providing a societal benefit, although the societal benefit is not considered to be of commensurate value, are deemed to be contributions. Contributions are classified as either conditional or unconditional. A conditional contribution is a transaction where the Center has to overcome a barrier or hurdle to be entitled to the resource and the resource provider is released from the obligation to fund or has the right of return of any advanced funding if the Center fails to overcome the barrier. The Center recognizes the contribution revenue upon overcoming the barrier or hurdle. Any funding received prior to overcoming the barrier is recognized as refundable advance.

Unconditional contributions are recognized as revenue and receivable when the commitment to contribute is received.

Contributions are recorded as either with donor restriction or without donor restriction. Contributions are recognized as contributions with donor restrictions if they are received with donor stipulations that limit the use of the donated asset. Contributions received with no donor stipulations are recorded as contributions without 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 as net assets without donor restrictions and are reported in the statement of activities and changes in net assets as net assets released from restriction. Donor-restricted contributions whose restrictions expire during the same fiscal year are recognized as contribution without donor restrictions.

Net patient services revenue and receivables
Patient care service revenue is reported 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 health insurers and government 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 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. Revenue for performance obligations satisfied over time is 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 receiving services in the Center's outpatient centers. The Center measures the performance obligation from 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 completion of the outpatient services. Revenue for performance obligations satisfied at a point in time is generally recognized when goods are provided to our pharmacy revenue patients and customers and the Center does not believe it is required to provide additional goods or services related to that sale.

Because all of its performance obligations relate to contracts with a duration of less than one year, the Center has elected to apply the optional exemption provided in Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 606-10-50-14a and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The Center's performance obligations consist primarily of outpatient services that occur within one day of a patient's visit, thus, there were no unsatisfied or partially unsatisfied performance obligations at the end of the reporting period.

The Center determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with the Center's policy, and implicit price concessions provided to uninsured 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 estimate of implicit price concessions based on its historical collection experience with this class of patients.

Agreements with third-party payors typically provide for payments at amounts less than established charges. A summary of the payment arrangements with major third-party payors follows:

Medicare - Outpatient services are paid using prospectively determined rates.

Medicaid - Reimbursements for Medicaid services are generally paid at prospectively determined rates per visit or per covered member.

Other - Payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations provide for payment using prospectively determined rates per visit, discounts from established charges, and prospectively determined daily rates.

Laws and regulations concerning government programs, including Medicare and Medicaid, are complex and subject to varying interpretation. As a result of investigations by governmental agencies, various health care organizations have received requests for information and notices regarding alleged noncompliance with those laws and regulations, which, in some instances, have resulted in organizations entering into significant settlement agreements. Compliance with such laws and regulations may also be subject to future government review and interpretation, as well as significant regulatory action, including fines, penalties, and potential exclusion from the related programs. There can be no assurance that regulatory authorities will not challenge the Center's compliance with these laws and regulations, and it is not possible to determine the impact (if any) such claims or penalties would have upon the Center. In addition, the contracts the Center has with commercial payors also provide for retroactive audit and review of claims.

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 from 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 are no longer subject to such audits, reviews, and investigations. Adjustments arising from a change in the transaction price were not significant in fiscal year 2023.

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 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 charge by any contractual adjustments, discounts, and implicit price concessions. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient service revenue in the period of the change. For the year ended March 31, 2023, there was no additional revenue recognized due to changes in its estimates of implicit price concessions, discounts, and contractual adjustments for performance obligations satisfied in prior years.

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 patients with other uninsured balances (for example, copays and deductibles). The implicit price concessions included in estimating the transaction price represent the difference between amounts billed to patients and the amounts the Center expects to collect based on its collection history with those patients.

The Center is open to all patients, regardless of their ability to pay. In the ordinary course of business, the Center renders services to patients who are financially unable to pay for healthcare. The Center provides care to these patients who meet certain criteria under its sliding fee discount policy without charge or at amounts less than the established rates. Charity care services are computed using a sliding fee scale based on patient income and family size.

The Center maintains records to identify and monitor the level of sliding fee discount it provides. For uninsured self-pay patients that do not qualify for charity care, the Center recognizes revenue on the basis of its standard rates for services provided or on the basis of discounted rates, if negotiated or provided by policy. On the basis of historical experience, a significant portion of the Center's uninsured patients will be unable or unwilling to pay for the services provided. Thus, the Center records an explicit concession to uninsured patients in the period the services are provided based on historical experience.

Community benefit represents the cost of services for Medicaid, Medicare, and other public patients for which the Center is not reimbursed.

Based on the cost of patient services, charity care and community benefit for the year ended March 31, 2023 amounted to approximately $1.5 million and $2.7 million, respectively.

Such amounts determined to qualify as charity care are not reported as revenue.

The Center has determined that the nature, amount, timing, and uncertainty of revenue and cash flows are affected by the following factors: payors, geography, service lines, method of reimbursement, and timing of when revenue is recognized.

The Center has elected the practical expedient allowed under FASB ASC 606-10-32-18 and does not adjust the promised amount of consideration from patients and third-party payors for the effects of a significant financing component due to the Center's expectation that the period between the time the service is provided to a patient and the time that the patient or a third-party payor pays for that service will be one year or less. However, the Center does, in certain instances, enter into payment agreements with patients that allow payments in excess of one year. For those cases, the financing component is not deemed to be significant to the contract.

The Center has applied the practical expedient provided by FASB ASC 340-40-25-4 and all incremental customer contract acquisition costs are expensed as they are incurred, as the amortization period of the asset that the Center otherwise would have recognized is one year or less in duration.

Interest rate swap
The Center utilizes a derivative financial instrument to reduce interest rate risk. The Center does not hold or issue derivative financial instruments for trading purposes. Accounting and reporting standards for derivative instruments and hedging activities require the Center to recognize all derivatives as either assets or liabilities in the statement of financial position and measure those instruments at fair value. Changes in the fair value of those instruments are reported in change in net assets. The accounting for gains and losses associated with changes in the fair value of the derivative and the effect on the financial statements will depend on its hedge designation and whether the hedge is highly effective in achieving offsetting changes in the fair value of cash flows of the asset or liability hedged.

Inventory
Inventory, consisting of pharmaceuticals, is stated at the lower of cost (determined using the first-in, first-out method) or market and is included in prepaid expenses and other.

Debt issuance costs
Debt issuance costs, net of accumulated amortization, are reported as a direct deduction from the face amount of the mortgage loan payable to which such costs relate. Amortization of debt issuance costs is reported as a component of interest expense and is computed using an imputed interest rate on the related loan.

Property and equipment
Property and equipment are stated at cost less accumulated depreciation and amortization. Expenditures over $5,000 are capitalized. Maintenance, repairs and minor renewals are expensed as incurred. When assets are retired or otherwise disposed of, their costs and related accumulated depreciation and amortization are removed from the accounts and any resulting gains or losses are included in the statement of activities and change in net assets. Costs related to construction in progress are not depreciated until the assets are completed and placed in service. Depreciation is provided on a straight-line basis based upon the estimated useful lives of the assets as follows:

Land improvements	8 - 20 years
Building and leasehold improvements	10 - 40 years
Office equipment	3 - 20 years
Medical and dental equipment	10 - 15 years

According to federal regulations, any property and equipment items obtained through federal funds are subject to a lien by the federal government. Provided that the Center maintains its tax-exempt status and the property and equipment are used for their intended purpose, the Center is not required to reimburse the federal government. If the stated requirements are not met, the Center would be obligated to the federal government in an amount equal to the fair value of the property and equipment.

Impairment of long-lived assets
The Center reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In performing a review for impairment, the Center compares the carrying value of the assets with their estimated future undiscounted cash flows. If it is determined that impairment has occurred, the loss would be recognized during that period. The impairment loss is calculated as the difference between the asset carrying values and the present value of estimated net cash flows or comparable market values, giving consideration to recent operating performance and pricing trends. The Center does not believe that any material impairment currently exists related to its long-lived assets.

Grants and contracts services revenue
Revenue from grants and contracts with resource providers such as the government and its agencies, other organizations and private foundations are accounted for either as exchange transactions or as contributions. When the resource provider receives commensurate value in return for the resources transferred to the Center, the revenue from the grant or contract is accounted for as an exchange transaction in accordance with ASU 2014-09. For purposes of determining whether a transfer of asset is a contribution or an exchange, the Center deems that the resource provider is not synonymous with the general public, i.e., indirect benefit received by the public as a result of the assets transferred is not deemed equivalent to commensurate value received by the resource provider. Moreover, the execution of a resource provider's mission or the positive sentiment from acting as a donor is not deemed to constitute commensurate value received by a resource provider. Revenue from grants and contracts that are accounted for as exchange transactions is recognized when performance obligations have been satisfied. Grants and contracts awarded for the acquisition of long-lived assets are reported as nonoperating revenue, in the absence of donor stipulations to the contrary, during the fiscal year in which the assets are acquired. Cash received in excess of revenue recognized is recorded as refundable advances.

At March 31, 2023, the Center has received conditional grants and contracts from governmental and corporate entities in the aggregate amount of approximately $1,050,000 that have not been recorded in the accompanying financial statements. These grants and contracts require the Center to provide certain services during specified periods. If such services are not provided during the specified periods, the governmental and corporate entities are not obligated to expend the funds allotted under the contracts.

Grants and contract transactions where the resource provider does not receive commensurate value are accounted for as a contribution.

340B pharmacy revenue
The Center participates in Section 340B of the Public Health Service Act ("PHS Act"), *Limitation on Prices of Drugs Purchased by Covered Entities*. Participation in this program allows the Center to purchase pharmaceuticals at discounted rates for prescriptions to eligible patients. Pharmacy revenue is generated through the pharmacy and 340B program that the Center operates through its agreement with third party pharmacies for the year ended March 31, 2023. Under this program, the Center uses the third party as its agent for the purpose of operating and managing the pharmacy and providing pharmacy services.

Revenue for performance obligations satisfied at a point in time is generally recognized when the prescriptions are provided to the Center's pharmacy patients and the Center does not believe it is required to provide additional goods or services related to that sale. The Center recognized pharmacy revenue of $4,981,321 for the year ended March 31, 2023.

Because all of its performance obligations relate to pharmacy sales contracts with a duration of less than one year, the Center has elected to apply the optional exemption provided in FASB ASC 606-10-50-14a and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The Center's performance obligations in relation to pharmacy revenue consist primarily of pharmacy sales that occur as the patient purchases the drugs; thus, there were no unsatisfied or partially unsatisfied performance obligations at the end of the reporting period.

The Center determines the transaction price based on standard charges for the prescriptions provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with the Center's policy, and implicit price concessions provided to uninsured 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 estimate of implicit price concessions based on its historical collection experience with this class of patients.

In-kind contributions
The Center recognizes the fair value of donated vaccines, other supplies and facilities as contribution revenue and medical supplies, drugs and rent expense in the statement of activities and change in net assets.

Interest income
Interest earned on nonfederal funds is recorded as income on an accrual basis. Interest earned on federal funds is recorded as a payable to United States Public Health Service (the "PHS") in compliance with the Office of Management and Budget ("OMB").

Functional expenses
Expenses are charged to program services, general and administrative and fundraising based on a combination of specific identification and allocation determined by management on an equitable basis. Natural expenses attributable to more than one functional expense category are allocated using a variety of cost allocation basis such as time and effort and square footage.

Performance indicator
The statement of activities and change in net assets includes operating income as the performance indicator. Changes in net assets which are excluded from the performance indicator include unrealized loss on investments and gain on interest rate swap.

Tax status
Management has evaluated the tax positions taken by the Center and has concluded that, as of March 31, 2023 there are no uncertain tax positions taken or expected to be taken that would require recognition or disclosure in the financial statements. The Center's federal, state and city information tax returns prior to 2020 are closed. The Board of Directors continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in law and new authoritative rulings.

If applicable, the Center would recognize interest and penalties associated with tax matters as part of other than personnel services in the statement of activities and change in net assets and include accrued interest and penalties in accrued expenses in the statement of financial position. The Center did not recognize any interest or penalties associated with tax matters for the year ended March 31, 2023.

General legal matters
From time to time, the Center is involved in legal matters arising in the ordinary course of business. While, the Center believes that such matters are currently not material, there can be no assurance that matters arising in the ordinary course of business for which the Center is or could be involved in will not have a material adverse effect on its financial conditions, results of operations, and or cash flows.

Recently adopted accounting standard
The Center adopted Accounting Standards Update 2016-02 (as amended), *Leases* ("Topic 842") on April 1, 2022 ("Adoption Date"). Topic 842 requires lessees to recognize a right-of-use asset and a corresponding lease liability for virtually all leases. The Center elected and applied the following transition practical expedients when initially adopting Topic 842:

- To apply the provisions of Topic 842 at the Adoption Date, instead of applying them to the earliest comparative period presented in the financial statements.

- The practical expedient permitting the Center to apply an imputed interest using the incremental borrowing rate on their line of credit rate instead of the rate implicit in the lease.

The Center made the following adjustments as of the Adoption Date in connection with transitioning to Topic 842:

	As of April 1, 2022
Operating lease right-of-use assets	$ 3,162,718
Operating lease liabilities	$ 3,577,771

The Center's adoption of Topic 842 also resulted in a decrease of $311,688 in deferred rent, which amount was reclassified to operating lease right-of-use assets at adoption. The adoption of Topic 842 did not have a material impact on the Center's net assets for the year ended March 31, 2023.

Note 2 - Availability and liquidity

The following represents the Center's financial assets at March 31, 2023:

Cash and cash equivalents	$ 6,226,807
Investments	302,372
Patient services receivable, net	2,440,573
Grants receivable	577,368
Contracts receivable	58,732
340B pharmacy receivable	452,261
Total financial assets available to meet general expenditures over the next 12 months	$ 10,058,113

As part of the Center's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures come due. In addition, excess cash is invested in short-term investments including money market accounts, certificate of deposits and mutual funds. The Center has a $2,000,000 line of credit available to meet cash flow needs.

Note 3 - Fair value measurements

The Center values its financial assets and liabilities based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy that prioritizes observable and unobservable inputs is used to measure fair value into three broad levels, which are described below:

Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2: Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.

Level 3: Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

When necessary, the Center recognizes transfers between levels in the fair value hierarchy at the end of the reporting period.

In determining fair value, the Center utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible as well as considers counterparty credit risk in its assessment of fair value. Financial assets and liabilities carried at fair value at March 31, 2023 are classified in the tables below in one of the three categories described above:

	Quoted prices in active markets for identical market approach (Level 1)	Significant other observable cost approach (Level 2)	Unobservable inputs income approach (Level 3)	Total
Money market	$ 3,202	$ -	$ -	$ 3,202
Mutual funds	302,372	-	-	302,372
	$ 305,574	$ -	$ -	$ 305,574
Interest rate swap receivable	$ -	$ 116,300	$ -	$ 116,300

Investments in money market accounts are cash equivalent sweep accounts and the fair values as of March 31, 2023 are included in cash and cash equivalents on the statement of financial position.

Mutual funds are valued using their estimated bid price which is derived from market prices in active markets obtained from real-time quotes for transactions in an active exchange.

The fair value of the interest rate swap asset represents an estimate of the net present value of the expected cash flows using relevant mid-market data inputs.

The preceding methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Center believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Note 4 - Patient services revenue and receivable, net

Patient services revenue by primary payor for the year ended March 31, 2023 is as follows:

Medicaid including managed care and wraparound	$ 15,756,031
Medicare including managed care and wraparound	1,105,867
Private insurance	1,912,174
Self-pay	503,461
Total	$ 19,277,533

Revenue from patients' deductibles and coinsurance are included in the preceding categories based on the primary payor. Patient receivables consist of amounts due from government programs, commercial insurance companies, other group insurance programs, and private pay patients.

Net patient services receivable consist of the following at March 31, 2023:

Medicaid including managed care and wraparound	$ 1,778,084
Medicare including managed care and wraparound	97,864
Private insurance and commercial managed care plans	160,849
Self-pay	403,776
Total	$ 2,440,573

In evaluating the collectability of patient services receivable, the Center analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for bad debts. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts. For receivables associated with services provided to patients who have third-party coverage, the Center analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for bad debts, if necessary. For receivables associated with self-pay patients which include both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill, the Center records a significant provision for bad debts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates or the discounted rates provided by the Center's policy and the amounts actually collected after all reasonable collection efforts have been exhausted is charged against the allowance for doubtful accounts. The Center did not have any direct write-offs for the year ended March 31, 2023. The Center has not changed its charity care or uninsured discount policies during fiscal year 2023. The Center's net patient services receivable at April 1, 2022 amounted to $1,257,067.

Note 5 - Property and equipment, net

Property and equipment are stated at cost and are comprised of the following as of March 31, 2023:

Land	$ 150,000
Building and leasehold improvements	6,915,780
Office and medical equipment	2,490,441
Construction in progress	42,296
	9,598,517
Less accumulated depreciation and amortization	(5,487,475)
Property and equipment, net	$ 4,111,042

Note 6 - Line of credit

On October 30, 2019, the Center entered into a line of credit with First National Bank of Pennsylvania ("FNB") for a line of credit in the amount of $2,000,000. The line is a revolving line of credit with interest equal to LIBOR + 2.35%. The line is secured by all assets of the Center and is due upon demand by the bank. As of March 31, 2023, there was no outstanding balance due.

Note 7 - Long-term debt

First National Bank

On October 30, 2019, the Center entered a loan agreement with FNB in the amount of $1,900,000 with a maturity date of October 30, 2034. The loan incurs interest at a variable rate of LIBOR plus 185 basis points (1.52%). The loan is secured by the George Street property and improvements. For the year ended March 31, 2023, interest charged totaled $53,515, which includes debt issuance cost amortization of $3,350 based on an imputed interest rate of 3.55%. As of March 31, 2023, the outstanding balance and accrued interest was $1,548,955 and $7,824, respectively.

Mortgage payable - FNB	$ 1,548,955
Unamortized debt issuance costs	(38,522)
Mortgage payable - FNB, net	$ 1,510,433

The Center entered a swap agreement with FNB for a notional principal amount of $1,900,000, with a maturity date of October 30, 2034. Under the swap agreement, the Center pays interest monthly at a fixed rate of 3.12%. The Center entered the agreement to manage their interest rate risks. The agreement is designated as a freestanding instrument. The interest rate swap is not designated as a hedging instrument.

Truist Bank
The Center entered into a loan agreement with Truist Bank ("Truist") (formerly Branch Banking and Trust Company) totaling $860,000 on August 30, 2015, with a maturity date of September 1, 2030. The loan incurs interest at a variable interest rate of LIBOR plus 195 basis points (5.59% at March 31, 2023). The loan is secured by the Hanover property and improvements. For the year ended March 31, 2023, interest charged on the loan was $21,116, which includes debt issuance cost amortization of $3,308 based on an imputed interest rate of 4.71%. As of March 31, 2023, the outstanding balance and accrued interest was $491,284 and $1,678, respectively.

Mortgage payable - BB&T	$	491,284
Unamortized debt issuance costs		(24,537)
Mortgage payable - BB&T, net	$	466,747

The Center entered into a swap agreement with Truist for a notional principal amount of $860,000 with a maturity date of September 1, 2030. Under the swap agreement the Center pays interest on a monthly basis at a fixed rate of 3.88%. The Center entered into the agreement to manage their interest rate risks. The agreement is designated as a freestanding instrument. The interest rate swap is not designated as a hedging instrument.

The cumulative market-to-market gain or loss on the swap agreement's fair value is an asset of $116,300 at March 31, 2023 (included in the statement of financial position as an asset) and is shown on the statement of activities and change in net assets in nonoperating activities.

The minimum principal payments due on long-term debt for each of the next five years and thereafter are as follows:

2024	$	185,554
2025		175,283
2026		181,332
2027		182,305
2028		188,494
Thereafter		1,127,271
Total	$	2,040,239

Note 8 - Department of Health and Human Services ("DHHS")

DHHS 330 Grant
The Center was awarded grants from the United States Department of Health and Human Services under the PHS-Section 330 Grant Program. This grant was awarded to the Center to develop and operate community health centers located in York City, Hanover, Lewisberry, and Gettysburg, Pennsylvania. The Center earned $2,872,877 under the program for the year ended March 31, 2023 included in DHHS 330 grant revenue on the statement of activities and change in net assets.

DHHS ARPA Funds
The Center was awarded grants from the United States Department of Health and Human Services under the American Rescue Plan Act Funding for Health Centers Community Health Centers Program. This grant was utilized for the renovation of three Family First Health sites of care as well

as supporting the salaries of employees not covered by the 330 grant, retention bonuses, 403(b) one time payments, and the purchase of clinical equipment to support both medical and dental services. The Center earned $2,008,732 under the program for the year ended March 31, 2023 included in COVID-19 revenue on the statement of activities and change in net assets.

DHHS ECV Grant
The Center was awarded grants from the United States Department of Health and Human Services under the fiscal year 23 Expanding COVID-19 Vaccination program. This grant was awarded to support activities and communication around the importance of the Covid vaccine to increase the number of recipients receiving the vaccine in the community. The Center earned $85,355 under the program for the year ended March 31, 2023 included in COVID-19 grant revenue on the statement of activities and change in net assets.

Ryan White Part C Grant
The Center was awarded grants from the United States Department of Health and Human Services. The grants were awarded to the Center to provide early intervention services and primary care related to HIV. The Center earned $539,957 under the program for the year ended March 31, 2023.

Family Planning
The Center was awarded a pass-through grant from the Family Health Council of Pennsylvania to provide quality family planning services to patients in Pennsylvania. The Center earned $395,432 under the program for the year ended March 31, 2023, of which $249,325 was federal funds and $231,111 was state funds.

Nurse Family Partnership Grant
The Center was awarded a pass-through grant from Pennsylvania to provide funds for nurses to visit mothers, infants and young children in Pennsylvania. The Center earned $788,926 under the program for the year ended March 31, 2023.

Health Infrastructure Grant
The Center was awarded a grant from the United States Department of Health and Human Services. The grants were awarded to the Center to support construction, expansion, alteration, renovation, and other capital improvements to modify, enhance and expand health care infrastructure. The Center earned $774,535 under the program for the year ended March 31, 2023 included in COVID-19 grant revenue on the statement of activities and change in net assets.

Note 9 - Contract services and other grants

Contract services and other grant revenue consist of the following at March 31, 2023:

WellSpan Healthcare Services	$ 187,000
Family Health Council of Central Pennsylvania - state portion	931,266
York County Office of Children, Youth and Families	226,424
WellSpan Good Samaritan Hospital	125,000
United Health Foundation	618,441
Other	375,842
Total	$ 2,463,973

Note 10 - COVID-19 grants

COVID-19 grants revenue consist of the following at March 31, 2023:

American Rescue Plan Act Funding for Health Centers	$ 2,008,732
Expanded Covid Vaccine Funding	85,355
FCC Telehealth Funds	205,991
Telehealth Expansion Project	72,500
Workforce Marketing Campaign	87,877
Health Infrastructure Grant	774,535
Total	$ 3,234,990

Note 11 - Rental income

The Center subleases space at the 116 South George Street location to WellSpan Healthcare Services for the purpose of operating a public pharmacy. The terms of the lease included a period of 10 years and initial monthly rent of $3,245 and common area costs with rent increases of 3% annually. The lease expired on July 1, 2018 and was automatically extended for an additional five years under the original terms. The Center is currently in renegotiations to extend the lease, and is currently operating under the terms under the expired lease.

Minimum annual rentals are as follows for the year ending March 31, 2024 is $20,899.

The Center also subleases space to other various tenants. The terms of the leases include monthly rents. Rental income associated with the space rental is included in the statement of activities and change in net assets.

Note 12 - In-kind contributions

In-kind contributions for the year ended March 31, 2023 consist of donated vaccines received by the Center from the Pennsylvania Department of Health. The Center recorded the donated vaccines at fair value amounting to $601,537 and is included in the consolidated statement of activities and changes in net assets as in-kind contributions. The fair value was based on prices provided by the donor, which is in turn based on approximate wholesale prices in the United States. The donated vaccines were administered by the Center to qualified patients.

Note 13 - Lease obligation

The Center has five lease agreements for space in Pennsylvania. The leases call for monthly rental payments with scheduled annual increases. The leases have varying expiration dates through January 31, 2030.

As discussed in Note 1, the Center adopted Topic 842 on April 1, 2022. Pursuant to the adoption of Topic 842, the Center recognized a lease liability, which was measured at the present value of future minimum lease payments and a corresponding right-of-use asset. The Center determined an appropriate discount rate to apply when it determined the present value of the remaining lease payments for purposes of measuring its lease liabilities. Operating lease right-of-use asset and operating lease obligation are recognized based on the present value of lease payments over the lease term, where the initial term of the lease exceeds 12 months.

As of March 31, 2023, the unamortized right-of-use asset was $2,738,591, and the unamortized operating lease liability was $3,280,143. Rent expense for the year ended March 31, 2023 was $672,905.

Minimum annual rentals are as follows for years ending March 31:

2024	$	567,600
2025		581,260
2026		604,327
2027		530,802
2028		515,121
Thereafter		785,182
		3,584,292
Less imputed interest		(304,149)
Present value of net minimum lease payments		3,280,143
Less current liability portion		(481,916)
Long-term liability portion	$	2,798,227

Other lease information		
Cash paid for amounts included in the measurement of lease obligations	$	394,383
Weighted-average annual discount rate		2.14%
Weighted-average remaining lease term (years)		5

On December 15, 2023, the Center signed a lease amendment for their Columbia medical location extending the lease through December 2034. Monthly rental payments are $10,372 and will increase by 3% each year.

Note 14 - Retirement plan

The Center maintains a 403(b) plan that covers substantially all eligible employees. The amounts contributed to the plan include 3% of the participant's compensation, of which 2% is contributed by employees and 1% matched by the Center, unless an elective deferral is completed and a discretionary dollar-for-dollar matching contribution is made by the Center. For the year ended March 31, 2023, $104,942 was matched by the Center, and there were no discretionary contributions approved by the Board.

Note 15 - Commitments and contingencies

The Center has contracted with various funding agencies to perform certain healthcare services and received Medicaid and Medicare revenue from the federal and state governments. Reimbursements received under these contracts and payments under Medicaid and Medicare are subject to audit by the federal and state governments and other agencies. Upon audit, if discrepancies are discovered, the Center could be held responsible for reimbursing the agencies for the amounts in question.

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

The healthcare industry is subject to voluminous and complex laws and regulations of federal, state and local governments. Compliance with such laws and regulations can be subject to future government review and interpretations as well as regulatory actions unknown or unasserted at the time. These laws and regulations include, but are not necessarily limited to matters such as, licensure, accreditation, government healthcare program participation requirements, reimbursement laws and regulations, anti-kickback and anti-referral laws and false claims prohibitions. In recent years, government activity has increased with respect to investigations and allegations concerning possible violations of reimbursement, false claims, anti-kickback and anti-referral statutes and regulation by healthcare providers. The Center believes that it is in material compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. Upon audit, if discrepancies are discovered, the Center could be held responsible for refunding the amounts in question.

The Commonwealth of Pennsylvania has required all Federally Qualified Health Centers in the state to resubmit their 2016 wraparound report using a method different from the way the report was originally submitted. The state has not given guidance as to how it will proceed regarding money that may potentially be owed as a result of the revised report. As of March 31, 2023, the Center has accrued $200,001 as the estimated balance to be repaid if the state requires money to be paid as a result of the revised report.

Note 16 - Subsequent events

Events that occur after the statement of financial position date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the statement of financial position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the statement of financial position date require disclosure in the accompanying notes. Management evaluated the activity of the Center through January 18, 2024 (the date the financial statements were available to be issued) and concluded that other than as noted in Note 13, no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

Supplementary Information

Family First Health Corporation

Schedule of Operations - Nurse Family Partnership
Year Ended March 31, 2023

	Actual	Budget DPW (unaudited)
Revenues		
DPW	$ 2,500	$ -
Federal funds	788,926	788,926
Local grant income	52,650	52,650
Donations	97	-
Medical assistance fee for service	77,000	-
Total revenues	921,173	841,576
Expenses		
Salaries/wages	564,141	560,225
Benefits/payroll taxes	116,772	123,558
Total personnel expenses	680,913	683,783
Occupancy	14,000	4,000
Communications	3,414	3,400
Supplies	14,439	11,375
Transportation	11,268	9,250
Purchased services	37,670	27,750
Indirect costs	94,129	37,842
Insurance	1,125	900
Dues, subscriptions, employee morale costs	663	375
Training	11,013	10,250
Total operating expenses	187,721	105,142
Total expenses	868,634	788,925
Excess of revenue over expenses	$ 52,539	$ 52,651

See Independent Auditor's Report.

Family First Health Corporation

Schedule of Expenditures of Federal Awards
Year Ended March 31, 2023

Federal grantor/pass-through grantor/program or cluster title	Federal Assistance Listing Number	Agency or pass-through entity identifying number	Provided to through to subrecipients	Total Federal Expenditures
U.S. Department of Health and Human Services				
Direct programs				
Health Center Program Cluster				
Health Center Program (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care)	93.224	N/A	$ -	$ 1,273,088
COVID-19 - Health Center Program (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care)	93.224	N/A	-	2,008,732
Total 93.224			-	3,281,820
Grants for New and Expanded Services Under the Health Center Program	93.527	N/A	-	1,599,789
FY 2023 Expanding COVID-19 Vaccination	93.527	N/A	-	85,355
Total 93.527			-	1,685,144
Total Health Center Program Cluster			-	4,966,964
Grants for Capital Development in Health Centers	93.526	N/A	-	774,535
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	93.918	N/A	187,500	539,957
Passed through Family Health Council of Central PA, Inc. Family Planning Services	93.217	FPHPA 006529	-	198,641
Passed through Family Health Council of Central PA, Inc. Telehealth Expansion Project	93.217	FPHPA 006588	-	72,500
Total 93.217			-	271,141
Passed through Family Health Council of Central PA, Inc. Social Services Block Grant	93.667	SAP4100078155	-	36,308
Passed through Family Health Council of Central PA, Inc. Maternal and Child Health Services Block Grant to the States	93.994	SAP4100081504	-	14,376
Passed through Family Health Council of Central PA, Inc. Opioid STR	93.788	N/A	-	152,703
Passed through PA Office of Child Development Home Visiting Temporary Assistance for Needy Families	93.558	SAP4100093080	-	788,926
Passed through PA Office of Child Development Home Visiting COVID-19 MaryLee Allen Promoting Safe and Stable Families Families Program	93.556	SAP4100070305	-	84,274
COVID-19 - Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution	93.498	N/A	-	880,011
Passed through PA Department of Health and Pennsylvania Association of Community Health Centers COVID-19 - Immunization Cooperative Agreements	93.268	NA	-	87,877
Total Department of Health and Human Services			187,500	8,597,072
Federal Communications Commission				
COVID-19 Telehealth Program	32.006	N/A	-	205,991
Total expenditures of federal awards			$ 187,500	$ 8,803,063

See Notes to Schedule of Expenditures of Federal Awards.

Note 1 - Basis of presentation

The accompanying Schedule of Expenditures of Awards (the "Schedule") includes the federal award activity of Family First Health Corporation (the "Center") under programs of the federal government for the year ended March 31, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of the Center, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Center.

Note 2 - Summary of significant accounting policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursements. The Center did not elect to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 3 - COVID-19 - Provider Relief Fund and American Rescue Plan ("ARP") Rural Distribution - Assistance Listing Number 93.498

For the Department of Health and Human Services ("DHHS") awards related to the Provider Relief Fund and American Rescue Plan ("ARP") Rural Distribution ("PRF") program, DHHS has indicated the amounts on the Schedule be reported corresponding to reporting requirements of the HRSA PRF Reporting Portal. Payments from DHHS for PRF are assigned to 'Payment Received Periods' (each, a Period) based upon the date each payment from the PRF was received. Each Period has a specified Period of Availability and timing of reporting requirements. Entities report into the HRSA PRF Reporting Portal after each Period's deadline to use the funds (i.e., after the end of the Period of Availability).

The Schedule includes $880,011 received from DHHS between July 1, 2021 and December 31, 2021. In accordance with guidance from DHHS, this amount represents funding for Period 4. Such amounts were recognized as DHHS grant revenue in the financial statements for the year ended March 31, 2022.

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Directors
Family First Health Corporation

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Family First Health Corporation (the "Center"), which comprise the statement of financial position as of March 31, 2023, and the related statements of activities and change in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 18, 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.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs, that we consider to be material weaknesses, see findings 2023-001 and 2023-002.

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2023-003 and 2023-004.

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 auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 result 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.

CohnReznick LLP

Baltimore Maryland
January 18, 2024

Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance

To the Board of Directors
Family First Health Corporation

Report on Compliance for Each Major Federal Program

Qualified and Unmodified Opinions

We have audited Family First Health Corporation'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 each of its major federal programs for the year ended March 31, 2023. The Center's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Qualified Opinion on Health Center Program Cluster and Temporary Assistance for Needy Families Programs

In our opinion, except for the noncompliance described in the *Basis for Qualified and Unmodified Opinions* section of our report, the Center complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the Health Center Program Cluster and the Temporary Assistance for Needy Families Program for the year ended March 31, 2023.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the Center complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended March 31, 2023.

Basis for Qualified and Unmodified Opinions

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 Auditor's 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 qualified and unmodified opinions on compliance for each major federal program. Our audit does not provide a legal determination of the Center's compliance with the compliance requirements referred to above.

Matter Giving Rise to Qualified Opinion on Health Center Program Cluster and Temporary Assistance for Needy Families Programs

As described in the accompanying schedule of findings and questioned costs, the Center did not comply with requirements regarding the Health Center Program Cluster and Temporary Assistance for Needy Families Program as described in Finding 2023-003 for Activities Allowed or Unallowed, Allowable Costs/Cost Principles.

Compliance with such requirements is necessary, in our opinion, for the Center to comply with the requirements applicable to those programs.

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.

Auditor's 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 each 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.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2023-004. Our opinion on each major federal program is not modified with respect to this matter. *Government Auditing Standards* requires the auditor to perform limited procedures on the Center's response to the noncompliance findings identified in our compliance audit 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 compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2023-003 to be a material weakness.

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2023-004, to be *a* significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the Center's response to the internal control over compliance findings identified in our compliance audit 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 compliance and, accordingly, we express no opinion on the response.

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.

CohnReznick LLP

Baltimore, Maryland
January 18, 2024

Section I - Summary of Auditor's Results

Financial Statements

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

Internal control over financial reporting

• Material weakness(es) identified?	✓	yes	___	no
• Significant deficiency(ies) identified?	___	yes	✓	none reported
Noncompliance material to financial statements noted?	✓	yes	___	no

Federal Awards

Internal control over major federal programs:

• Material weakness(es) identified?	✓	yes	___	no
• Significant deficiency(ies) identified?	✓	yes	___	none reported

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

Major Federal Program	Opinion
Health Center Program Cluster	Qualified
Temporary Assistance for Needy Families	Qualified
Grants for Capital Development in Health Centers	Unmodified
COVID-19 - Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution	Unmodified

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

Identification of major programs:

Federal Assistance Listing	Name of Federal Program or Cluster
	U.S. Department of Health and Human Services:
	Health Center Program Cluster:
93.224	Health Center Program (Community Health Centers, Migrant Health Centers, Health Care for the Homeless and Public Housing Primary Care)
	COVID-19 - Health Center Program (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care)
93.527	Grants for New and Expanded Services Under the Health Center Program
	FY 23 Expanding COVID-19 Vaccination

93.526	Grants for Capital Development in Health Centers
93.498	COVID-19 - Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution
93.558	Passed through PA Office of Child Development Home Visiting: Temporary Assistance for Needy Families

Dollar threshold used to distinguish between type A and type B programs:	$750,000
Auditee qualified as low-risk auditee?	___ yes ✓ no

Section II - Financial Statement Audit Findings

Finding 2023-001: Material Weakness

Criteria:
Internal controls should be in place to ensure that the financial statements are prepared in accordance with generally accepted accounting principles ("GAAP"). Account reconciliations should be prepared and reviewed on a timely basis and grants should be reviewed to ensure that all receivables are recorded in the proper period.

Condition:
During our audit, we had material adjustments to the financial statements that were posted as a result of our audit procedures. Account reconciliations were not performed timely during the year resulting in the entries.

Cause:
Internal controls were not in place to ensure account reconciliations were prepared timely and accurately.

Effect:
Misstatement of the financial statements could occur and not be detected or corrected on a timely basis.

Auditor's Recommendation:
We recommend account reconciliations be prepared on a monthly basis to ensure all adjustments are recorded timely. Additionally, grants should be reviewed to ensure that all expenditures are accounted for and any receivables be recorded in the correct period. Financial statements should be reviewed on a regular basis to ensure they are prepared in accordance with GAAP.

Views of Responsible Officials:

Account reconciliations will be reviewed on a timely basis to ensure all adjustments are recorded in the correct periods. A revenue recognition policy will be implemented to ensuring that the revenue is recognized to the requirements of Generally Accepted Accounting Principles ("GAAP"), as currently in effect or as amended, and is implemented and utilized throughout Family First Health. The revenue recognition policy will then be distributed to each employee who records or reviews the recording of revenue.

Finding 2023-002 Material Weakness

Criteria:
The Uniform Guidance requires that the auditee prepare a SEFA for the period covered by the auditee's financial statement. At a minimum, the schedule shall:

- List all individual Federal programs by Federal agency.
- Include the name of the pass-through entity and the identifying number assigned by the passthrough entity for all Federal funds expended as a subrecipient.
- Include the amount of Federal funds passed through to subrecipients.

- Provide the total Federal awards expended for each Individual Federal program and the Assistance Listing Number or other identifying number when the Assistance Listing Number information is not available.

Condition:
The initial schedule of expenditures of federal awards ("SEFA") prepared by management was not complete and accurate. Specifically, omitting some federal awards subject to the Uniform Guidance.

Cause:
Internal controls over the accurate preparation and completeness of the SEFA were not operating effectively.

Effect:
An improper SEFA could result in errors in accounting, revenue recognition, disallowed costs, and noncompliance with Uniform Guidance requirements.

Auditor's Recommendation:
We recommend a reconciliation of the SEFA to the related general ledger accounts be performed on at least a quarterly basis and any variances be investigated. Additionally, all grants should be reviewed to identify any federal funds upon receiving the grant.

Views of Responsible Officials and Planned Corrective Actions:
To ensure the accuracy of the SEFA internal controls will be implemented. This includes, but is not limited to: proper grant intake (i.e. federal grant and contract identification), reconciliation to relate financial statement amounts, and internal review and approval.

Section III - Federal Award Findings and Questioned Costs

Finding 2023-003

Federal Agency: U.S. Department of Health and Human Services
Federal Program Title: Health Center Program Cluster, Temporary Assistance for Needy Families
Federal Assistance Listing Number: 93.224, 93.527, 93.558
Compliance Requirements: Activities allowed or unallowed, Allowable costs/Cost Principles
Type of Finding: Material Weakness in Internal Control over Compliance

Criteria:
According to 2 CFR, Part 200.430(i)(1) of the Office of Management and Budget's Uniform Guidance, charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed, which must, among other things: (i) Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated; (ii) Be incorporated into the official records of the non-Federal entity; (iii) Reasonably reflect the total activity for which the employee is compensated by the non-Federal entity.

Condition/Context:
In connection with the Activities allowed or unallowed, and Allowable Costs/Cost Principles compliance testing, we noted that the time and effort attestations for all employees were not completed at all during fiscal year 2023. Salaries and related costs were charged to the grants based on budgeted estimates.

Cause:
Procedures and controls were not put in place to ensure actual time spent was properly charged to the programs.

Effect or Potential Effect:
The deficiency in the Center's controls over compliance with activities allowed or unallowed, and allowable cost/cost principles could result in unallowed payroll costs being charged to the grant.

Questioned Costs:
None

Identification as a Repeat Finding
Yes - See 2022-003

Auditor's Recommendation:
The Center should ensure that the time and effort attestations are signed by both employee and supervisor timely.

Views of Responsible Officials:

The Center will review its Time and Effort policy to ensure continued compliance with federal regulations in maintaining records of personnel time and effort to substantiate salary costs associated with its federal grants. We will add steps to our process to ensure that the certifications by employees whose time is allocated to one federally funded program will sign an after-the-fact certification on a semi-annual basis confirming that the employee worked on a single award for the given period. The transition from ADP (our past payroll processor) to Paycom (our new payroll processor) will provide additional levels of timekeeping detail that will enable time and effort to be more closely monitored and reported.

Finding 2023-004

Federal Agency: U.S. Department of Health and Human Services
Federal Program Title: COVID-19 - Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution
Federal Assistance Listing Number: 93.498
Compliance Requirement: Reporting
Type of Finding: Significant Deficiency in Internal Control over Compliance

Criteria:
In accordance with the reporting requirements of the U.S. Department of Health and Human Services, the Center is required to accurately report to HRSA the methodology applied to the provider relief funds received.

Condition/Context:
In connection with the Reporting test for the Provider Relief Funds, we noted that the Center inaccurately reported the methodology used to HRSA as expenditures attributable to coronavirus as opposed to lost revenues.

Cause:
Personnel in charge of the submission inadvertently reported the incorrect methodology.

Effect:
HRSA could deem the report to be invalid and require the Center to pay back the funds.

Questioned Costs:
None

Identification as a Repeat Finding
Yes - see 2022-004

Auditor's Recommendation:
The Center should ensure that the reporting over the provider relief funds is accurate prior to submission.

Views of Responsible Officials:
Procedures will be put in place to review accuracy of reporting prior to submission.

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