

**AFFINITY HEALTH CENTER
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**



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**AFFINITY HEALTH CENTER
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YEARS ENDED DECEMBER 31, 2019 AND 2018**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Affinity Health Center
Rock Hill, South Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of Affinity Health Center, which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of operations and changes in net assets, cash flows, and functional expenses for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Affinity Health Center as of December 31, 2019 and 2018, and the results of its operations, changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis-of-Matter Regarding Changes in Accounting Principals

As discussed in Note 2 to the financial statements, in the year ended December 31, 2019, the Organization adopted the provisions of Financial Accounting Standards Board Accounting Standards Update 2018-08, *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (Topic 605). Our opinion is not modified with respect to that matter.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 23, 2020, on our consideration of Affinity Health Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on 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 Affinity Health Center's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Charlotte, North Carolina
September 23, 2020

**AFFINITY HEALTH CENTER
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018**

	2019	2018
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 5,647,410	\$ 8,065,780
Grants Receivable	608,007	690,351
Accounts Receivable	762,605	657,501
Patient Accounts Receivable	220,932	238,126
Inventories	110,665	58,607
Prepaid Expenses and Other Assets	109,128	112,475
Total Current Assets	7,458,747	9,822,840
INVESTMENTS		
Beneficial Interest in Assets Held by Third-Party	4,367,583	3,868,962
PROPERTY AND EQUIPMENT, NET		
	7,810,372	7,922,294
Total Assets	\$ 19,636,702	\$ 21,614,096
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable and Other Accrued Expenses	\$ 1,187,949	\$ 1,043,478
Accrued Payroll Liabilities	123,531	90,965
Accrued Compensated Absences	50,903	41,882
Accrued Interest Payable	-	14,323
Unearned Revenue	36,499	-
Current Portion of Long-Term Debt	392,307	182,622
Total Current Liabilities	1,791,189	1,373,270
LONG-TERM DEBT, LESS CURRENT PORTION		
	2,017,041	4,999,186
Total Liabilities	3,808,230	6,372,456
NET ASSETS		
Without Donor Restrictions:		
Board Designated	3,891,285	4,243,394
Undesignated – Invested in Property and Equipment Net of Related Debt	5,401,024	2,740,486
Undesignated	6,536,163	8,221,712
Total Without Donor Restrictions	15,828,472	15,205,592
With Donor Restrictions	-	36,048
Total Net Assets	15,828,472	15,241,640
Total Liabilities and Net Assets	\$ 19,636,702	\$ 21,614,096

See accompanying Notes to Financial Statements.

AFFINITY HEALTH CENTER
STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, SUPPORT, AND OPERATING GAINS			
Patient Service Revenue	\$ 1,190,161	\$ -	\$ 1,190,161
Provision for Bad Debts	(65,367)	-	(65,367)
Net Patient Service Revenue	1,124,794	-	1,124,794
340B Pharmacy Revenue	10,650,622	-	10,650,622
Corporate and Foundation Contributions	355,918	-	355,918
United Way	28,262	-	28,262
Government Grants	3,380,952	-	3,380,952
Contributions	23,690	-	23,690
Special Events Revenue, Net of Direct Benefits to Donors	40,624	-	40,624
Net Assets Released from Restriction	36,048	(36,048)	-
Contributed Goods, Services, and Facilities Usage	102,502	-	102,502
Total Revenues, Support, and Operating Gains	15,743,412	(36,048)	15,707,364
EXPENSES			
Program Services:			
Medical Care	13,000,084	-	13,000,084
Support Services	1,174,675	-	1,174,675
Prevention Services	431,140	-	431,140
Total Program Services	14,605,899	-	14,605,899
Supporting Services:			
General and Administrative	1,073,419	-	1,073,419
Fundraising	8,889	-	8,889
Total Supporting Services	1,082,308	-	1,082,308
Total Expenses	15,688,207	-	15,688,207
OPERATING INCOME (LOSS)	55,205	(36,048)	19,157
NONOPERATING GAINS (LOSSES)			
Change in Unrealized Gain on Investments	525,973	-	525,973
Loss on Asset Disposal	(794)	-	(794)
Miscellaneous Income	41,719	-	41,719
Interest Income	777	-	777
Total Nonoperating Gains (Losses)	567,675	-	567,675
CHANGE IN NET ASSETS	622,880	(36,048)	586,832
Net Assets – Beginning of Year	15,205,592	36,048	15,241,640
NET ASSETS – END OF YEAR	<u>\$ 15,828,472</u>	<u>\$ -</u>	<u>\$ 15,828,472</u>

See accompanying Notes to Financial Statements.

AFFINITY HEALTH CENTER
STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, SUPPORT, AND OPERATING GAINS			
Patient Service Revenue	\$ 989,120	\$ -	\$ 989,120
Provision for Bad Debts	20,113	-	20,113
Net Patient Service Revenue	1,009,233	-	1,009,233
340B Pharmacy Revenue	8,814,614	-	8,814,614
Corporate and Foundation Contributions	308,285	35,719	344,004
United Way	50,681	-	50,681
Government Grants	3,310,338	-	3,310,338
Contributions	3,958	-	3,958
Special Events Revenue, Net of Direct Benefits to Donors	32,682	-	32,682
Net Assets Released from Restriction	182,262	(182,262)	-
Contributed Goods, Services, and Facilities Usage	130,423	-	130,423
Total Revenues, Support, and Operating Gains	13,842,476	(146,543)	13,695,933
EXPENSES			
Program Services:			
Medical Care	10,556,818	-	10,556,818
Support Services	1,017,311	-	1,017,311
Prevention Services	382,183	-	382,183
Total Program Services	11,956,312	-	11,956,312
Supporting Services:			
General and Administrative	935,056	-	935,056
Fundraising	6,783	-	6,783
Total Supporting Services	941,839	-	941,839
Total Expenses	12,898,151	-	12,898,151
OPERATING INCOME (LOSS)	944,325	(146,543)	797,782
NONOPERATING GAINS (LOSSES)			
Change in Unrealized Loss on Investments	(75,472)	-	(75,472)
Loss on Asset Disposal	(200,245)	-	(200,245)
Miscellaneous Income	29,752	-	29,752
Interest Income	773	-	773
Total Nonoperating Gains (Losses)	(245,192)	-	(245,192)
CHANGE IN NET ASSETS	699,133	(146,543)	552,590
Net Assets – Beginning of Year	14,506,459	182,591	14,689,050
NET ASSETS – END OF YEAR	\$ 15,205,592	\$ 36,048	\$ 15,241,640

See accompanying Notes to Financial Statements.

**AFFINITY HEALTH CENTER
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 586,832	\$ 552,590
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	363,330	226,774
Provision for Bad Debts	65,367	(20,113)
Loss on Disposal of Property and Equipment	794	200,245
Unrealized (Gain) Loss on Investments	(525,973)	75,472
Amortization of Loan Financing Costs	982	982
Changes in Operating Assets and Liabilities:		
Grants Receivable	82,344	10,547
Accounts Receivable	(105,104)	(165,123)
Patient Accounts Receivable	(48,173)	(86,857)
Inventories	(52,058)	(1,699)
Prepaid Expenses and Other Assets	3,347	(33,299)
Accounts Payable	144,471	185,377
Accrued Liabilities	41,587	49,866
Accrued Interest Payable	(14,323)	7,635
Unearned Revenue	36,499	-
Net Cash Provided by Operating Activities	579,922	1,002,397
CASH FLOWS FROM INVESTING ACTIVITIES		
Net Proceeds from Investments	27,352	26,607
Proceeds from Sale of Property and Equipment	-	825,000
Purchases of Property and Equipment	(252,202)	(5,692,283)
Net Cash Used by Investing Activities	(224,850)	(4,840,676)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Issuance of Long-Term Debt	-	4,876,860
Payments on Long-Term Debt	(2,773,442)	(900,028)
Net Cash Provided (Used) by Financing Activities	(2,773,442)	3,976,832
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,418,370)	138,553
Cash and Cash Equivalents – Beginning of Year	8,065,780	7,927,227
CASH AND CASH EQUIVALENTS – END OF YEAR	\$ 5,647,410	\$ 8,065,780
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid for Interest	\$ 197,559	\$ 164,460

See accompanying Notes to Financial Statements.

**AFFINITY HEALTH CENTER
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2019**

	Program Services				Supporting Services			Grand Total
	Medical Care	Support Services	Prevention Services	Total Program Services	General and Administrative	Fundraising	Total Supporting Services	
Direct Assistance to Clients:								
Off-Site Specialty Care Visits	\$ 73,693	\$ -	\$ -	\$ 73,693	\$ -	\$ -	\$ -	\$ 73,693
Medications	26,141	-	-	26,141	-	-	-	26,141
Insurance	767,439	-	-	767,439	-	-	-	767,439
Food	-	10,074	-	10,074	-	-	-	10,074
Transportation	11	20,736	126	20,873	-	-	-	20,873
Housing	-	22,071	-	22,071	-	-	-	22,071
Medication and Physician Copays	94,449	-	-	94,449	-	-	-	94,449
Medical Supplies	25,087	-	-	25,087	-	-	-	25,087
Other	17,633	-	-	17,633	-	-	-	17,633
Total Grants and Direct Assistance	1,004,453	52,881	126	1,057,460	-	-	-	1,057,460
Salaries	2,300,443	687,501	219,442	3,207,386	562,471	6,093	568,564	3,775,950
Benefits	221,908	67,042	21,471	310,421	59,535	584	60,119	370,540
Payroll Taxes	165,454	50,338	16,028	231,820	41,748	444	42,192	274,012
Physician On-Site	59,115	-	-	59,115	-	-	-	59,115
Lab Services	341,328	-	23,192	364,520	-	-	-	364,520
Pharmaceuticals	5,715,197	-	-	5,715,197	-	-	-	5,715,197
340B Program Contracted Services	1,738,518	-	-	1,738,518	-	-	-	1,738,518
Computer Services	300,606	39,926	20,662	361,194	24,419	616	25,035	386,229
Donated Professional Services	40,096	6,453	-	46,549	-	-	-	46,549
Other Professional Services	228,731	10,196	2,600	241,527	49,276	30	49,306	290,833
Supplies	290,664	42,072	12,670	345,406	9,945	136	10,081	355,487
Donated Supplies	-	-	28,135	28,135	-	-	-	28,135
Telephone	49,147	25,462	10,133	84,742	12,576	132	12,708	97,450
Postage	1,092	594	207	1,893	960	3	963	2,856
Rent	-	-	200	200	-	-	-	200
Utilities	41,057	24,493	9,609	75,159	12,023	131	12,154	87,313
Interest Expense	86,387	54,936	21,062	162,385	21,534	299	21,833	184,218
Facility Maintenance	13,652	8,250	3,274	25,176	3,934	43	3,977	29,153
Donated Facilities Use	21,600	-	-	21,600	-	-	-	21,600
Janitorial Services	23,847	12,029	4,657	40,533	5,718	64	5,782	46,315
Equipment Rent and Maintenance	6,481	2,031	785	9,297	964	11	975	10,272
Printing and Copying	11,854	4,050	1,232	17,136	1,671	15	1,686	18,822
Travel	21,648	16,389	6,291	44,328	8,840	6	8,846	53,174
Conferences, Meetings, and Training	40,739	9,706	1,902	52,347	14,295	115	14,410	66,757
Insurance	35,847	18,625	7,227	61,699	11,677	98	11,775	73,474
Public Relations/Advertising	219	115	44	378	36,299	1	36,300	36,678
Other	48,765	5,370	2,008	56,143	77,885	22	77,907	134,050
Depreciation	191,236	36,216	18,183	245,635	117,649	46	117,695	363,330
Totals	<u>\$ 13,000,084</u>	<u>\$ 1,174,675</u>	<u>\$ 431,140</u>	<u>\$ 14,605,899</u>	<u>\$ 1,073,419</u>	<u>\$ 8,889</u>	<u>\$ 1,082,308</u>	<u>\$ 15,688,207</u>

See accompanying Notes to Financial Statements.

**AFFINITY HEALTH CENTER
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2018**

	Program Services				Supporting Services			Grand Total
	Medical Care	Support Services	Prevention Services	Total Program Services	General and Administrative	Fundraising	Total Supporting Services	
Direct Assistance to Clients:								
Off-Site Specialty Care Visits	\$ 47,670	\$ -	\$ -	\$ 47,670	\$ -	\$ -	\$ -	\$ 47,670
Medications	35,441	-	-	35,441	-	-	-	35,441
Insurance	622,997	-	-	622,997	-	-	-	622,997
Food	-	6,083	-	6,083	-	-	-	6,083
Transportation	-	18,419	-	18,419	-	-	-	18,419
Housing	2,394	11,833	-	14,227	-	-	-	14,227
Medication and Physician Copays	93,873	-	-	93,873	-	-	-	93,873
Medical Supplies	24,255	-	-	24,255	-	-	-	24,255
Other	15,664	3,482	-	19,146	-	-	-	19,146
Total Grants and Direct Assistance	842,294	39,817	-	882,111	-	-	-	882,111
Salaries	1,808,962	644,792	192,953	2,646,707	460,315	4,671	464,986	3,111,693
Benefits	160,369	58,540	17,418	236,327	51,427	427	51,854	288,181
Payroll Taxes	140,298	49,977	14,917	205,192	35,695	363	36,058	241,250
Physician On-Site	19,100	-	-	19,100	-	-	-	19,100
Dentist On-Site	10,950	-	-	10,950	-	-	-	10,950
Lab Services	401,198	-	19,838	421,036	-	-	-	421,036
Pharmaceuticals	4,385,277	-	-	4,385,277	-	-	-	4,385,277
340B Program Contracted Services	1,376,330	-	-	1,376,330	-	-	-	1,376,330
Computer Services	186,202	41,333	22,049	249,584	25,847	671	26,518	276,102
Donated Professional Services	41,896	6,354	-	48,250	-	-	-	48,250
Other Professional Services	309,352	4,706	2,481	316,539	102,247	21	102,268	418,807
Supplies	420,727	21,665	22,923	465,315	32,208	63	32,271	497,586
Donated Supplies	20,784	10,883	26,805	58,472	5,167	58	5,225	63,697
Telephone	45,827	22,991	9,164	77,982	11,166	119	11,285	89,267
Postage	1,248	614	237	2,099	1,002	3	1,005	3,104
Rent	4,087	3,786	1,617	9,490	1,162	13	1,175	10,665
Utilities	35,173	21,284	8,240	64,697	10,124	112	10,236	74,933
Interest Expense	49,276	14,531	6,734	70,541	36,065	29	36,094	106,635
Facility Maintenance	20,008	8,066	3,132	31,206	4,220	43	4,263	35,469
Donated Facilities Use	21,600	-	-	21,600	-	-	-	21,600
Janitorial Services	12,168	6,659	2,578	21,405	3,565	35	3,600	25,005
Equipment Rent and Maintenance	8,820	1,839	711	11,370	850	10	860	12,230
Printing and Copying	8,747	3,551	1,426	13,724	1,803	16	1,819	15,543
Travel	23,062	9,864	9,097	42,023	13,496	1	13,497	55,520
Conferences, Meetings, and Training	26,537	4,555	1,278	32,370	15,018	7	15,025	47,395
Insurance	30,741	16,101	6,226	53,068	11,464	85	11,549	64,617
Public Relations/Advertising	48	25	10	83	17,887	-	17,887	17,970
Other	25,646	2,932	1,084	29,662	21,381	11	21,392	51,054
Depreciation	120,091	22,446	11,265	153,802	72,947	25	72,972	226,774
Totals	<u>\$ 10,556,818</u>	<u>\$ 1,017,311</u>	<u>\$ 382,183</u>	<u>\$ 11,956,312</u>	<u>\$ 935,056</u>	<u>\$ 6,783</u>	<u>\$ 941,839</u>	<u>\$ 12,898,151</u>

See accompanying Notes to Financial Statements.

**AFFINITY HEALTH CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 1 ORGANIZATION AND PURPOSE

The vision of Affinity Health Center (AHC or the Organization) is for a healthy and vibrant community where all people have access to exceptional and comprehensive health care. The mission of AHC is to serve the health care needs of our community by providing access to high-quality, comprehensive care with compassion, dignity and respect. AHC is guided by a set of values: Commitment, Compassion, Diversity, Excellence, and Integrity.

AHC, formerly Catawba Care, became a nonprofit organization in 2000 whose mission was to serve the health care and social service needs of people living with HIV/AIDS. Since 2000, AHC has continued to expand and merge with other agencies to alleviate duplication of services and maximize the use of limited resources. In 2010, AHC relocated to a new facility to ensure more effective service delivery. In 2015, Catawba Care became AHC with an expanded mission. AHC has been recognized by the National Committee on Quality Assurance as a Patient Centered Medical Home. AHC's comprehensive care includes primary medical care, dental care, mental health counseling, case management, HIV specialty care, medication assistance, transportation assistance, and community health education and prevention services including free testing for HIV and other sexually transmitted diseases.

AHC is governed by a volunteer board of directors. AHC's Management Team is guided by a Strategic Plan and a Quality Management Plan, ensuring the provision of mission-driven, high quality services. AHC supports its activities through government funding, program income, United Way allocations, foundation grants, and contributions.

The Organization operates three main programs:

1. Medical Care

Medical care is provided in a dignified, compassionate manner, without regard for ability to pay. With access to quality care, patients can live longer and healthier lives. Medical services at AHC include: 1) primary care; 2) HIV specialty care; 3) oral health care; 4) behavioral health services; 5) phlebotomy/laboratory services; 6) nutritional counseling; and 7) specialty care referrals. AHC medical services are provided on a sliding fee scale.

2. Support Services

Support services are intended to help patients engage in and remain engaged in medical treatment and to assist them with reducing any barriers to care. Services include 1) medical case management; 2) health education; 3) outreach to those out of care; 4) educational and therapeutic support groups; 5) referral services and assistance with accessing public benefits; 6) housing services; 7) transportation assistance to medical appointments; and 8) interpreting services. All support services are provided at no cost to the patient.

**AFFINITY HEALTH CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 1 ORGANIZATION AND PURPOSE (CONTINUED)

3. Community Health Education/Prevention Services

AHC provides health education services to the community which includes information about HIV and other sexually transmitted diseases. In addition, AHC provides free, confidential, rapid (20 minute) HIV and Hepatitis C screening as well as free screening for other sexually transmitted diseases.

Additionally, AHC has a Peer Program that utilizes people living with HIV/AIDS to provide support to others living with this disease; HIV/STD testing; counseling services; and pre-exposure prophylaxis for HIV (PrEP) support. All prevention services are provided at no cost to the recipient.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation

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

Net Assets Without Donor Restrictions – Net assets that are not subject to donor-imposed stipulations.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions stipulate that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Revenues are reported as increases in net assets without donor restrictions unless the use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Contributions with donor restrictions recognized and utilized in the same accounting period are classified as contributions without donor restrictions.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**AFFINITY HEALTH CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

Cash and cash equivalents are funds on hand, deposits in banks, and in highly liquid instruments having immediate availability for purposes of the statements of cash flows, which are prepared using the indirect method.

Income Taxes

The Organization is exempt from income tax under Internal Revenue Code Section 501(c)(3), and is not classified as a private foundation.

The Organization's income tax returns are subject to review and examination by federal, state, and local authorities. The Organization is not aware of any activities that would jeopardize its tax-exempt status. The Organization is not aware of any activities that are subject to tax on unrelated business income or excise of other taxes.

Generally accepted accounting principles require an organization to recognize a tax benefit or expense from uncertain tax position if it is more likely than not that the tax position will be sustained on examination by the tax authorities, based on the technical merits of the position. Management believes the Organization had no uncertain tax positions as of December 31, 2019 or 2018.

Contributions and Grants Receivable

Contributions received are recorded as net assets with or without donor restrictions depending on the existence and/or nature of any donor restrictions. All donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are released to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met. Conditional contributions with conditions met in the same reporting period in which they are received are reported as unconditional contributions.

Grant awards are evaluated by management and determined to either be unconditional contributions, exchange transactions, or conditional contributions. If considered to be an unconditional contribution, revenue from grants is recorded upon notification of the award. If considered to be an exchange transaction, revenue from grants is recorded as expenses are incurred under the terms of the respective grant agreement. If considered to be a conditional contribution, revenue from grants is recorded at the time the conditions on which they depend have been met.

**AFFINITY HEALTH CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions and Grants Receivable (Continued)

A portion of the Organization's revenue is derived from cost-reimbursable grants, which are conditioned upon certain performance requirements and/ or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific grant provisions. Any amounts received prior to incurring qualifying expenditures would be reported as refundable advances in the statement of financial position. The Organization received cost-reimbursable grants that have not been recognized of approximately \$1,237,000 and \$1,531,000 for the years ended December 31, 2019 and 2018, respectively, because qualifying expenditures have not yet been incurred. The Organization received advance payments of approximately \$36,000 for the year ended December 31, 2019. No advance payments were received for the year ended December 31, 2018.

All of the Organization's grants receivable are expected to be collected within one year and are reported at their net realizable value. At December 31, 2019, the Organization had an allowance for uncollectible amounts of approximately \$37,000. At December 31, 2018, there was no allowance for uncollectible amounts.

At December 31, 2019 and 2018, the Organization did not have any contributions receivable.

Accounts Receivable

Accounts receivable are stated at the net realizable amounts due for services rendered from contract pharmacy operations and others. The Organization estimates the allowance for doubtful accounts based on historical experience and management's evaluation of outstanding accounts receivable. There was no allowance for doubtful accounts for the years ended December 31, 2019 and 2018.

Pharmacy Revenue

The Organization 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 Organization to purchase pharmaceuticals at discounted rates for prescriptions to eligible patients. The Organization has outsourced the administration of this program to commercial pharmacies. The Organization records revenue based on the price of the pharmaceuticals dispensed. The drug replenishment costs and administrative and filling fees are included in medical care expense on the statements of operations and changes in net assets.

Patient Accounts Receivable

Patient accounts receivable are stated at the estimated net realizable amounts due from patients, third-party payors, and others for services rendered, including estimated retroactive adjustment under reimbursement agreements. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in a future period as final settlements are determined.

**AFFINITY HEALTH CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Patient Accounts Receivable (Continued)

The Organization's primary collection risks relate to uninsured patients and outstanding patient balances for which the primary and secondary insurance has paid some, but not all of the outstanding balance, with the remaining outstanding balance (generally deductibles and copayments) owed by the patient.

The process of estimating the allowance for doubtful accounts requires the Organization to estimate the collectability of patient accounts receivable, which is primarily based on collection history, adjusted for expected recoveries. Collections are impacted by the economic ability of patients to pay and the effectiveness of collection efforts. Significant changes in payor mix, economic conditions, or trends in federal and state governmental health care coverage could affect the collection of accounts receivable.

As of December 31, 2019 and 2018, the allowance for doubtful accounts approximated \$132,000 and \$67,000, respectively.

Patient Service Revenue and Charity

The Organization provides care to all patients without regard to their ability to pay. Patients are charged on a sliding scale based on their ability to pay as determined by federal poverty guidelines. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered because there is no pursuit of collection for the charges in excess of ability to pay or contractual agreement.

Inventories

Inventories are valued at the lower of cost or net realizable value, using the first-in/first-out (FIFO) method of costing and consist primarily of medication.

Investments

The Organization has included in these financial statements the fair value of investments and related income earned on certain funds held in trust solely for the benefit of the Organization.

Property and Equipment

Donations of property and equipment are recorded as contributions at their estimated fair value at the date of donation. Such donations are reported as increases in net assets without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expiration of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

**AFFINITY HEALTH CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment (Continued)

Property and equipment purchases are recorded at cost and include assets costing greater than \$5,000, with a useful life or more than one year. Depreciation is provided over the estimated useful life of each class of depreciable assets and is computed using the straight-line method. Leasehold improvements are capitalized and depreciated using the shorter of the lease term or estimated life of the assets. The Organization reviews the carrying values of its long-lived assets for possible impairment whenever events or changes in circumstances indicate the carrying amount of the assets may not be recoverable. Repairs and maintenance are charged to operations.

The estimated useful lives are as follows:

Buildings and Improvements	15 – 35 Years
Furniture and Equipment	3 – 7 Years

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statements of operations and changes in net assets. Certain costs have been allocated among the program and general and administrative categories based on management's estimates.

Advertising

Advertising costs are expensed as incurred. Advertising costs for the years ended December 31, 2019 and 2018 approximated \$37,000 and \$18,000, respectively.

Fair Value of Financial Instruments

Fair value measurement applies to reported balances that are required or permitted to be measured at fair value under an existing accounting standard. The Organization emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability and establishes a fair value hierarchy. The fair value hierarchy consists of three levels of inputs that may be used to measure fair value as follows:

Level 1 – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access.

Level 2 – Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

Level 3 – Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

**AFFINITY HEALTH CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value of Financial Instruments (Continued)

In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

Fair value measurement is based upon quoted prices, if available. If quoted prices are not available, fair values are measured using independent pricing models or other model-based valuation techniques such as the present value of future cash flows, adjusted for the security's credit rating, prepayment assumptions, and other factors such as credit loss assumptions. Securities valued using Level 1 inputs include those traded on an active exchange, such as the New York Stock Exchange, as well as U.S. Treasury and other U.S. government and agency mortgage-backed securities that are traded by dealers or brokers in active over-the-counter markets. The Organization does not have any assets or liabilities that are valued using Level 2 inputs. Assets or liabilities valued using Level 3 inputs include the beneficial interest in assets held by trustees.

Professional standards allow entities the irrevocable option to elect to measure certain financial instruments and other items at fair value for the initial and subsequent measurement on an instrument-by-instrument basis. The Organization adopted the policy to value certain financial instruments at fair value; however, the Organization has not elected to measure any existing financial instruments at fair value. The Organization may elect to measure newly acquired financial instruments at fair value in the future.

Adoption of New Accounting Standard

The Organization adopted the provisions of ASU 2018-08, *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (Topic 605), during the year ended December 31, 2019 as management believes the standard improves the usefulness and understandability of the Organization's financial reporting. The Organization's financial statements reflect the application of ASU 2018-08 beginning January 1, 2018. The account standard was applied on a modified perspective basis.

The Organization has adopted ASU 2020-05, *Revenue from Contracts with Customers* (Topic 606) and *Leases* (Topic 842): *Effective Dates for Certain Entities* (ASU 2020-05), which permits private companies and nonprofit organizations that have not yet applied the revenue recognition standard to elect to adopt for annual reporting periods beginning after December 15, 2019. The Organization has elected to adopt the revenue recognition standard for the year ended December 31, 2020.

**AFFINITY HEALTH CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Future Accounting and Reporting Requirements

In February 2016, the FASB issued ASU 2016-02, *Leases* which adds ASC 842 and updates various other sections throughout the ASC. The standard attempts to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet while disclosing relevant information regarding leasing arrangements. The ASU is currently effective for the Organization for the year ending December 31, 2021. Management continues to evaluate the impact of the adoption of this standard but based on the latest industry guidance, management believes this standard will not have a material impact on the financial statements.

Reclassifications

Certain amounts in the 2018 financial statements have been reclassified to conform to the 2019 presentation for comparative purposes with no effect on the previously reported operating income (loss).

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through September 23, 2020, the date the financial statements were available to be issued.

NOTE 3 CONCENTRATIONS OF CREDIT RISK

The Organization places cash and cash equivalents with high quality financial institutions. At December 31, 2019 and 2018, deposits with financial institutions were collateralized or covered by Federal Deposit Insurance Corporation (FDIC) insurance limits.

NOTE 4 INVESTMENTS

Beneficial Interests in Assets Held by Third Party

The Foundation for the Carolinas (the Foundation) holds accounts for the benefit of the Organization. The Organization may request annual distributions of accumulated income from these accounts. Recommendations for distribution of principal, as considered necessary by the board of directors of the Organization may be made to the Foundation. The Foundation has complete discretion as to the timing and amounts of distributions from these funds; however, the Foundation has no variance power to distribute any portion of these funds to another nonprofit entity.

**AFFINITY HEALTH CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 4 INVESTMENTS (CONTINUED)

Beneficial Interests in Assets Held by Third Party (Continued)

These amounts are reflected in the accompanying statements of financial position as investments (beneficial interest in assets held by a third party) and were comprised of the following as of December 31:

	<u>2019</u>	<u>2018</u>
Nonendowed Designated Income and Growth Fund	\$ 4,009,098	\$ 3,514,809
Nonendowed Designated Liquid Reserves Fund	358,485	354,153
Total	<u>\$ 4,367,583</u>	<u>\$ 3,868,962</u>

Investment earnings were comprised of the following for the years ended December 31:

	<u>2019</u>	<u>2018</u>
Interest, Realized, and Unrealized Gain (Loss) on Investments	\$ 525,973	\$ (75,472)
Fees	<u>(27,352)</u>	<u>(26,607)</u>
Total	<u>\$ 498,621</u>	<u>\$ (102,079)</u>

In general, investments are exposed to various risks, such as interest rate, credit and overall market volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of the investments will occur in the near term and that such changes could materially affect the investment balances and the amounts reported in the statements of financial position.

**AFFINITY HEALTH CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 5 GRANTS RECEIVABLE

Grants receivable consisted of the following at December 31:

	2019	2018
Carolinas Care Partnership		
HOPWA (Housing Opportunities for Persons with AIDS)	\$ 15,593	\$ 11,195
Mecklenburg County		
Ryan White Part A	52,499	65,430
U.S. Department of Health and Human Services		
Ryan White Part C	35,669	124,130
Health Center Program	86,884	165,359
Bureau of Primary Health Care		
Capital Assistance for Hurricane Response and Recovery (C.	23,085	-
Expanding Access to Quality Substance Use Disorder		
and Mental Health Services (SUD-MH)	10,498	-
Integrated Behavioral Health Services (IBHS)	14,471	-
South Carolina Department of Health and Environmental		
Control		
Ryan White Part B	48,737	43,539
Ryan White Part B - ADAP (AIDS Drug Assistance Program)	57,777	70,150
HIV/AIDS Prevention and Risk Reduction	29,330	44,806
Ryan White Part B - Program Unbilled	-	4,682
Ryan White Part B - Rebate Program	85,003	61,354
Ryan White Part B - Special Projects	89,729	60,385
J. Marion Sims Foundation	10	10
United Way - York County	10,144	21,804
New Morning Foundation	-	17,507
ChooseWell - LARCS	27,032	
Other	21,546	-
Total	\$ 608,007	\$ 690,351

NOTE 6 PATIENT ACCOUNTS RECEIVABLE

Accounts receivable balances for patient service fees consisted of the following at December 31:

	2019	2018
Patient Accounts Receivable:		
Medicare, Medicaid, and Other Third-Party Payors	\$ 161,694	\$ 216,842
Patients	191,160	87,839
Less: Allowance for Uncollectible Accounts	(131,922)	(66,555)
Total	\$ 220,932	\$ 238,126

**AFFINITY HEALTH CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 6 PATIENT ACCOUNTS RECEIVABLE (CONTINUED)

The mix of receivables from patients and third-party payors was as follows at December 31:

	<u>2019</u>	<u>2018</u>
Medicare	25%	25%
Medicaid	22%	19%
Other Third-Party Providers	26%	47%
Self-Pay	27%	9%
	<u>100%</u>	<u>100%</u>

NOTE 7 PROPERTY AND EQUIPMENT

Property and equipment, net, consists of the following at December 31:

	<u>2019</u>	<u>2018</u>
Land	\$ 284,126	\$ 284,126
Buildings	7,124,839	7,124,839
Leasehold Improvements	65,772	65,772
Furniture and Equipment	<u>1,043,831</u>	<u>807,520</u>
Total Property and Equipment	8,518,568	8,282,257
Less: Accumulated Depreciation	<u>(708,196)</u>	<u>(359,963)</u>
Property and Equipment, Net	<u>\$ 7,810,372</u>	<u>\$ 7,922,294</u>

There was no interest capitalized for the year ended December 31, 2019. Interest capitalized related to the construction of the new facility was approximately \$65,000 for the year ended December 31, 2018.

NOTE 8 LONG-TERM DEBT

In May 2017, the Organization entered into a commercial construction loan and permanent loan agreement with a financial institution not to exceed \$6,500,000, to be used to construct a new 28,500 square foot Health Center, collateralized by this property. There were no draws on the loan for the year ended December 31, 2019. Draws on the loan totaled approximately \$4,877,000 for the year ended December 31, 2018. The commercial construction loan had an interest only construction period which ended during the year ended December 31, 2018. The interest only construction period is followed by 104 monthly payments of principal and interest over a twenty year amortization. Interest due on the loan is in the amount of 3.80%. The loan matures on May 25, 2027.

**AFFINITY HEALTH CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 8 LONG-TERM DEBT (CONTINUED)

Future minimum debt payments under the loan agreement subsequent to December 31, 2019 are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2020	\$ 392,307
2021	408,845
2022	424,878
2023	441,539
2024	458,780
Thereafter	299,178
Total	<u>2,425,527</u>
Less: Current Portion of Long-Term Debt	(392,307)
Less: Unamortized Loan Financing Costs	(16,179)
Long-Term Debt, Net of Current Portion	<u><u>\$ 2,017,041</u></u>

NOTE 9 NET ASSETS

The board has designated net assets for the following purposes at December 31:

	<u>2019</u>	<u>2018</u>
Operating Reserves	\$ 3,891,285	\$ 1,793,394
Expansion Reserves	-	2,450,000
Total	<u><u>\$ 3,891,285</u></u>	<u><u>\$ 4,243,394</u></u>

Net assets with donor restrictions as of the years ended December 31, 2019 and 2018 relate to purpose restricted funds.

The Organization had approximately \$36,000 and \$182,000 in releases from donor restrictions related to purpose restricted funds during the years ended December 31, 2019 and 2018.

NOTE 10 CONTRIBUTED GOODS, SERVICES, AND FACILITIES USAGE

Contributed goods, services, and facilities usage include the following for the years ended December 31:

	<u>2019</u>	<u>2018</u>
Donated Professional Services	\$ 46,549	\$ 48,250
Donated Use of Facilities	21,600	21,600
Donated Equipment and Materials	34,353	60,573
Total	<u><u>\$ 102,502</u></u>	<u><u>\$ 130,423</u></u>

**AFFINITY HEALTH CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 11 GOVERNMENT GRANTS

Government grants revenue includes the following for the years ended December 31:

	<u>2019</u>	<u>2018</u>
U.S. Department of Health and Human Services		
Direct	\$ 1,676,392	\$ 1,694,589
Pass-through South Carolina Health and Environmental Control	676,602	122,000
Pass-through Mecklenburg County Health Department	358,946	312,550
U.S. Department of Housing and Urban Development		
Pass-through Carolinas Care Partnership	45,781	23,107
South Carolina Department of Health and Environmental Control Direct Nonpass-through	444,227	988,620
South Carolina Department of Health and Human Services Direct Nonpass-through	179,004	169,472
Totals	<u>\$ 3,380,952</u>	<u>\$ 3,310,338</u>

NOTE 12 RETIREMENT PLAN

During the year ended December 31, 2019, the Organization began making matching contributions to an existing defined contribution retirement savings plan (the Plan) which covers all full-time and part-time employees of the Organization who meet certain minimum eligibility requirements. The matching contribution, net of forfeitures, to the Plan were approximately \$19,000 for the year ended December 31, 2019. No matching contributions were made for the year ended December 31, 2018.

NOTE 13 CLAIMS AND JUDGMENTS

From time-to-time, the Organization is subject to litigation that arises in the ordinary course of conducting activities. In management's opinion, the resolution of litigation matters, if any, would not have a material effect on the financial position of the Organization at December 31, 2019 and 2018.

NOTE 14 RISK MANAGEMENT

The Organization carries commercial insurance against all risks of loss, including property and general liability, workers' compensation, fidelity, and volunteer liability insurance. There have been no significant reductions in insurance coverage in the prior year, and settled claims from these risks have not exceeded commercial insurance coverage in any of the last three fiscal years.

**AFFINITY HEALTH CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 15 CONTINGENCIES

The Organization participates in a number of federal and state grants and contracts, which are subject to possible financial and compliance examinations made by federal and state authorities who determine compliance with terms, conditions, laws, and regulations governing grants given to the Organization in the current and prior years. Occasionally, such examinations may determine that certain costs incurred against the grants do not comply with the established criteria that govern them. In such cases, the Organization could be held responsible for repayments to the funding agency for the costs or be subject to the reductions of future funding in the amount of the costs. Management is not aware of any material questioned costs for the contracts and grants administered through the years ended December 31, 2019 and 2018.

NOTE 16 FAIR VALUE MEASUREMENTS

The Organization uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. For additional information on how the Organization measures fair value refer to Note 2 – Summary of Significant Accounting Policies. The following table presents the fair value hierarchy for the balances of the assets and liabilities the Organization measured at fair value on a recurring basis as of December 31:

	2019			
	Level 1	Level 2	Level 3	Total
Investments:				
Beneficial Interest in				
Assets Held by Trustee	\$ -	\$ -	\$ 4,367,583	\$ 4,367,583
	2018			
	Level 1	Level 2	Level 3	Total
Investments:				
Beneficial Interest in				
Assets Held by Trustee	\$ -	\$ -	\$ 3,868,962	\$ 3,868,962

The following table presents changes in investments measured at fair value using Level 3 inputs on a recurring basis for the years ended December 31:

Balance at December 31, 2017	\$ 3,971,041
Purchases	-
Interest, Realized, and Unrealized Gain on Investments	(75,472)
Fees	(26,607)
Transfers	-
Balance at December 31, 2018	3,868,962
Purchases	-
Interest, Realized, and Unrealized Loss on Investments	525,973
Fees	(27,352)
Transfers	-
Balance at December 31, 2019	\$ 4,367,583

**AFFINITY HEALTH CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 17 RELATED PARTY TRANSACTIONS

During the years ended December 31, 2019 and 2018, the Organization purchased IT equipment and services totaling approximately \$210,000 and \$341,000, respectively, from a company which is partially owned by a board member's relative. The Organization also paid \$600 to a law firm employing a board member for professional services at December 31, 2018.

NOTE 18 LIQUIDITY AND AVAILABILITY

The Organization strives to maintain liquid assets sufficient to cover 120 days of general expenditures. The Organization receives grants restricted for services that are ongoing and central to its annual operations and not available to meet cash needs for general expenditures. The Organization manages its liquidity and reserves following the principles of operating within a prudent range of financial soundness, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.

	2019	2018
Cash and Cash Equivalents	\$ 5,647,410	\$ 8,065,780
Grants Receivable	608,007	690,351
Accounts Receivable	762,605	657,501
Patient Accounts Receivable, Net	220,932	238,126
Less: Net Assets with Donor Restrictions Subject to Expenditure for Specific Purpose	-	(36,048)
Total Net Financial Assets Available to Meet Liquidity Needs	<u>\$ 7,238,954</u>	<u>\$ 9,615,710</u>

NOTE 19 SUBSEQUENT EVENTS

Subsequent to year-end, the World Health Organization declared Coronavirus (COVID-19) a pandemic. The continued spread of COVID-19, or any similar outbreaks in the future, may adversely impact the local, regional, national, and global economies. The extent to which COVID-19 impacts our results is dependent on the breadth and duration of the pandemic and could be affected by other factors we are not currently able to predict. These impacts may include, but are not limited to, additional costs for responding to COVID-19, potential shortages of healthcare personnel, potential shortages of clinical supplies, loss of, or reduction to, revenue. Management believes the Organization is taking appropriate actions to respond to the pandemic; however, the full impact is unknown and cannot be reasonably estimated at this time.

During the period from January 1, 2020 through September 23, 2020, both domestic and international equity markets have experienced significant volatility. These losses are not reflected in the financial statements as of and for the year ended December 31, 2019.

AFFINITY HEALTH CENTER
UNIFORM GUIDANCE
SUPPLEMENTAL FINANCIAL REPORT
YEAR ENDED DECEMBER 31, 2019



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

Board of Directors
Affinity Health Center
Rock Hill, South Carolina

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 Affinity Health Center (the Organization), which comprise the statement of financial position as of December 31, 2019, and the related statements of operations and changes in net assets, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 23, 2020.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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



CliftonLarsonAllen LLP

Charlotte, North Carolina
September 23, 2020



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM, REPORT ON INTERNAL CONTROL OVER COMPLIANCE, AND REPORT
ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
REQUIRED BY THE UNIFORM GUIDANCE**

Board of Directors
Affinity Health Center
Rock Hill, South Carolina

Report on Compliance for Each Major Federal Program

We have audited Affinity Health Center's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Affinity Health Center's major federal programs for the year ended December 31, 2019. Affinity Health Center's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Affinity Health Center's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Affinity Health Center's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Affinity Health Center's compliance.

Opinion on Each Major Federal Program

In our opinion, Affinity Health 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 major federal programs for the year ended December 31, 2019.

Report on Internal Control Over Compliance

Management of Affinity Health Center is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Affinity Health Center's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Affinity Health Center's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Board of Directors
Affinity Health Center

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of Affinity Health Center as of and for the year ended December 31, 2019, and have issued our report thereon dated September 23, 2020, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Charlotte, North Carolina
September 23, 2020

**AFFINITY HEALTH CENTER
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2019**

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Passed Through to Subrecipients</u>	<u>Federal Expenditures</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Department of Health and Human Services Direct Programs:				
Ryan White Program Part C - Early Intervention Services	93.918	N/A	\$ -	\$ 671,577
Health Center Program	93.224	N/A	-	<u>1,004,815</u>
Subtotal Department of Health and Human Services Direct Programs			-	1,676,392
Department of Health and Human Services Pass-through Programs:				
SC Department of Health and Environmental Control				
Ryan White Program Part B	93.917	HV-9-584	-	556,602
HIV/AIDS Prevention and Risk Reduction	93.940	HV-8-654	-	120,000
Mecklenburg County Health Department				
Ryan White Program Part A	93.914	29007535	-	265,046
Ryan White Program Part A - Minority AIDS Initiative	93.914	29007543	-	<u>93,900</u>
Subtotal Department of Health and Human Services Pass-through Programs			-	<u>1,035,548</u>
Total U.S. Department of Health and Human Services			-	2,711,940
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Department of Housing and Urban Development Pass-through Programs from:				
Carolinas Care Partnership				
HOPWA (Housing Opportunities for Persons with AIDS)	14.241	57-1092940	-	<u>45,781</u>
Total U.S. Department of Housing and Urban Development			-	<u>45,781</u>
Total All Federal Agencies			<u>\$ -</u>	<u>\$2,757,721</u>

See accompanying Notes to Schedule of Expenditures of Federal Awards.

AFFINITY HEALTH CENTER
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2019

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity for Affinity Health Center under programs of the federal government for the year ended December 31, 2019. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Affinity Health Center, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Affinity Health 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 reimbursement.

NOTE 3 CONTINGENCIES

Affinity Health Center is subject to audit examination by the funding sources of grants to determine its compliance with certain grant provisions. In the event that expenditures could be disallowed through the audit, repayment of such disallowances could be required.

NOTE 4 INDIRECT COST RATE

Affinity Health Center has elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**AFFINITY HEALTH CENTER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2019**

Section I – Summary of Auditors’ Results

Financial Statements

1. Type of auditors’ report issued: Unmodified
2. Internal control over financial reporting:
- Material weakness(es) identified? _____ Yes X No
 - Significant deficiency(ies) identified? _____ Yes X None reported
3. Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

1. Internal control over major federal programs:
- Material weakness(es) identified? _____ Yes X No
 - Significant deficiency(ies) identified? _____ Yes X None reported
2. Type of auditors’ report issued on compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ Yes X No

Identification of Major Federal Programs

CFDA Number(s)	Name of Federal Program or Cluster
93.918	Ryan White Program Part C – Early Intervention Services
93.224	Health Center Program

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

Auditee qualified as low-risk auditee? _____ Yes X No

**AFFINITY HEALTH CENTER
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
YEAR ENDED DECEMBER 31, 2019**

***Section II – Findings Relating to the Financial Statement Audit Required to be Reported in
Accordance With Generally Accepted Government Auditing Standards***

Our audit did not disclose any matters required to be reported in accordance with *Government Auditing Standards*.

Section III – Federal Award Findings and Questioned Costs

Our audit did not disclose any matters required to be reported in accordance with 2 CFR 200.516(a).