

**ACCESS COMMUNITY HEALTH NETWORK AND AFFILIATE**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY INFORMATION**  
**YEARS ENDED JUNE 30, 2019 AND 2018**



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**CONSULTING**

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Access Community Health Network  
Chicago, Illinois

We have audited the accompanying consolidated financial statements of Access Community Health Network (ACCESS) and Affiliate (collectively the Organization), which comprise the consolidated statements of financial position as of June 30, 2019 and 2018 and the related consolidated statements of operations and changes in net assets and cash flows for the years then ended, the related consolidated statement of functional expenses for the year ended June 30, 2019, and the related notes to the consolidated financial statements.

### ***Management's Responsibility for the Consolidated Financial Statements***

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2019 and 2018 and the results of their operations and changes in their net assets and their cash flows for the years then ended, and the related consolidated statement of functional expenses for the year ended June 30, 2019, in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As discussed in Note 1 to the consolidated financial statements, in 2019, the Organization adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The new accounting standard changes the presentation of various classifications and disclosures within the consolidated financial statements. Our opinion is not modified with respect to this matter.

**Report on Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The June 30, 2019 consolidating statement of financial position and consolidating statement of operations and changes in net assets are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2019 on our consideration of ACCESS' 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 result of that testing, and not to provide an opinion on the effectiveness of ACCESS' 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 ACCESS' internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

Oak Brook, Illinois  
September 27, 2019

**ACCESS COMMUNITY HEALTH NETWORK AND AFFILIATE  
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2019 AND 2018**

<b>ASSETS</b>	2019	2018
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 8,582,374	\$ 12,913,083
Patient Accounts Receivable, Net	5,988,354	5,690,207
Managed Care Receivables	4,047,386	1,524,822
Contracts and Grants Receivable	1,444,971	1,341,243
Other Receivables	2,729,902	1,765,154
Investments	1,537,766	1,397,585
Prepaid Expenses and Other Assets	2,172,105	1,745,235
Total Current Assets	26,502,858	26,377,329
<b>PROPERTY AND EQUIPMENT</b>		
Land	956,666	930,666
Buildings and Improvements	27,690,224	22,193,398
Leasehold Improvements	20,099,642	19,489,090
Office Equipment	10,429,319	10,159,066
Computer Equipment	25,273,522	24,821,908
Construction in Progress	218,234	164,565
Total, at Cost	84,667,607	77,758,693
Less: Accumulated Depreciation	(55,802,127)	(50,596,542)
Total Property and Equipment	28,865,480	27,162,151
<b>LONG-TERM ASSETS</b>		
457(b) Plan Participant Assets	2,369,980	1,971,490
Other Assets	735,917	1,065,995
Total Long-Term Assets	3,105,897	3,037,485
Total Assets	\$ 58,474,235	\$ 56,576,965
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable and Accrued Expenses	\$ 5,896,529	4,199,088
Incurred But Not Reported (IBNR) Claims	560,000	652,000
Accrued Salaries, Payroll Taxes, and Benefits	6,549,820	7,208,857
Grants Payable	551,893	451,987
Due to Third Party	524,265	461,258
Capital Lease Obligation - Current Portion	829,309	700,581
Long-Term Debt - Current Portion	955,280	678,010
Total Current Liabilities	15,867,096	14,351,781
<b>NONCURRENT LIABILITIES</b>		
Other Long-Term Liability	315,000	105,000
Deferred Rent Obligation	2,380,886	1,168,108
457(b) Plan Participant Liability	2,369,980	1,971,490
Capital Lease Obligations - Noncurrent Portion	2,122,334	2,951,643
Long-Term Debt - Noncurrent Portion	6,638,356	3,726,971
Total Noncurrent Liabilities	13,826,556	9,923,212
Total Liabilities	29,693,652	24,274,993
<b>NET ASSETS</b>		
Without Donor Restrictions	27,745,347	30,897,152
With Donor Restrictions	1,035,236	1,404,820
Total Net Assets	28,780,583	32,301,972
Total Liabilities and Net Assets	\$ 58,474,235	\$ 56,576,965

See accompanying Notes to Consolidated Financial Statements.

**ACCESS COMMUNITY HEALTH NETWORK AND AFFILIATE  
CONSOLIDATED STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS  
YEAR ENDED JUNE 30, 2019**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUE</b>			
Patient Service Revenue, Net of Contractual Allowance, Fee Adjustments, and Discounts	\$ 63,661,936	\$ -	\$ 63,661,936
Provision for Bad Debts	<u>(1,674,177)</u>	-	<u>(1,674,177)</u>
Net Patient Service Revenue	61,987,759	-	61,987,759
Care Coordination Fees	3,849,571	-	3,849,571
Capitation Revenue	15,203,266	-	15,203,266
340B Pharmacy Revenue	<u>28,203,452</u>	-	<u>28,203,452</u>
Total Revenues	109,244,048	-	109,244,048
<b>SUPPORT AND OTHER REVENUE</b>			
Government Grants and Contracts	19,616,898	-	19,616,898
Private Grants and Contributions	791,813	269,000	1,060,813
Third-Party Grants and Contracts	1,165,709	-	1,165,709
Other Revenue	1,514,776	-	1,514,776
Net Assets Released from Restrictions - Operating	<u>638,584</u>	<u>(638,584)</u>	-
Total Support and Other Revenue	<u>23,727,780</u>	<u>(369,584)</u>	<u>23,358,196</u>
Total Revenue, Support, and Other Revenue	132,971,828	(369,584)	132,602,244
<b>EXPENSES</b>			
Salaries, Wages, and Benefits	72,077,505	-	72,077,505
Purchased Services	13,880,349	-	13,880,349
Referred Medical Services	3,269,772	-	3,269,772
Supplies	5,745,648	-	5,745,648
Occupancy	16,850,420	-	16,850,420
Insurance	644,891	-	644,891
Interest	352,241	-	352,241
Depreciation	5,205,587	-	5,205,587
340B Pharmacy and Dispensing Fees	14,626,173	-	14,626,173
Other	<u>3,575,065</u>	-	<u>3,575,065</u>
Total Expenses	<u>136,227,651</u>	-	<u>136,227,651</u>
<b>DEFICIT OF REVENUES OVER EXPENSES</b>	(3,255,823)	(369,584)	(3,625,407)
Unrealized Gain on Investments	<u>104,018</u>	-	<u>104,018</u>
<b>CHANGES IN NET ASSETS</b>	(3,151,805)	(369,584)	(3,521,389)
Net Assets - Beginning of Year	<u>30,897,152</u>	<u>1,404,820</u>	<u>32,301,972</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 27,745,347</u>	<u>\$ 1,035,236</u>	<u>\$ 28,780,583</u>

See accompanying Notes to Consolidated Financial Statements.

**ACCESS COMMUNITY HEALTH NETWORK AND AFFILIATE  
CONSOLIDATED STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS  
YEAR ENDED JUNE 30, 2018**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUE</b>			
Patient Service Revenue, Net of Contractual Allowance, Fee Adjustments, and Discounts	\$ 66,604,646	\$ -	\$ 66,604,646
Provision for Bad Debts	(2,221,296)	-	(2,221,296)
Net Patient Service Revenue	64,383,350	-	64,383,350
Care Coordination Fees	4,842,011	-	4,842,011
Capitation Revenue	10,683,111	-	10,683,111
340B Pharmacy Revenue	25,946,603	-	25,946,603
Total Revenues	105,855,075	-	105,855,075
<b>SUPPORT AND OTHER REVENUE</b>			
Government Grants and Contracts	19,131,066	-	19,131,066
Private Grants and Contributions	654,306	533,070	1,187,376
Third-Party Grants and Contracts	1,167,269	-	1,167,269
Other Revenue	1,571,484	-	1,571,484
Net Assets Released from Restrictions - Operating	991,108	(991,108)	-
Total Support and Other Revenue	23,515,233	(458,038)	23,057,195
Total Revenue, Support, and Other Revenue	129,370,308	(458,038)	128,912,270
<b>EXPENSES</b>			
Salaries, Wages, and Benefits	69,926,971	-	69,926,971
Purchased Services	13,154,364	-	13,154,364
Referred Medical Services	2,826,681	-	2,826,681
Supplies	4,956,903	-	4,956,903
Occupancy	14,192,672	-	14,192,672
Insurance	688,120	-	688,120
Interest	244,751	-	244,751
Depreciation	5,884,058	-	5,884,058
340B Pharmacy and Dispensing Fees	12,341,381	-	12,341,381
Other	3,332,030	-	3,332,030
Total Expenses	127,547,931	-	127,547,931
<b>SURPLUS OF REVENUES OVER EXPENSES</b>	1,822,377	(458,038)	1,364,339
Unrealized Gains on Investments	23,515	-	23,515
<b>CHANGES IN NET ASSETS</b>	1,845,892	(458,038)	1,387,854
Net Assets - Beginning of Year	29,051,260	1,862,858	30,914,118
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 30,897,152</u>	<u>\$ 1,404,820</u>	<u>\$ 32,301,972</u>

See accompanying Notes to Consolidated Financial Statements.

**ACCESS COMMUNITY HEALTH NETWORK AND AFFILIATE  
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2019**

	<u>Program Health Center</u>	<u>Management and General</u>	<u>Total</u>
Physician Salaries	\$ 22,177,962	\$ -	\$ 22,177,962
Admin Staff Salaries	23,626,966	13,933,618	37,560,584
Fringes	<u>9,071,256</u>	<u>3,267,703</u>	<u>12,338,959</u>
Total Salaries and Related Expenses	54,876,184	17,201,321	72,077,505
Supplies	5,087,226	692,309	5,779,535
340B Program Expenses	14,626,173	-	14,626,173
Purchased Services	7,394,139	3,704,840	11,098,979
Purchased Services - Grant	1,128,148	68,021	1,196,169
Physician Contract Services	1,585,201	-	1,585,201
Other Expenses	1,842,031	1,699,147	3,541,178
Occupancy	14,519,459	2,330,961	16,850,420
Insurance and Interest	759,670	237,462	997,132
Referred Medical Services	<u>3,269,772</u>	<u>-</u>	<u>3,269,772</u>
Total Expenses Before Depreciation	105,088,003	25,934,061	131,022,064
Depreciation Expense	<u>4,609,773</u>	<u>595,814</u>	<u>5,205,587</u>
 Total	 <u>\$ 109,697,776</u>	 <u>\$ 26,529,875</u>	 <u>\$ 136,227,651</u>

See accompanying Notes to Consolidated Financial Statements.



**ACCESS COMMUNITY HEALTH NETWORK AND AFFILIATE  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30, 2019 AND 2018**

	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Changes in Net Assets	\$ (3,521,389)	\$ 1,387,854
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Unrealized Gain on Investments	(104,018)	(23,515)
Provision for Depreciation	5,205,587	5,884,058
Provision for Bad Debts	1,674,177	2,221,296
Effects of Changes in Operating Assets and Liabilities:		
Net Patient Accounts Receivable	(1,972,324)	106,274
Managed Care Receivables	(2,522,564)	297,377
Contracts and Grants Receivable	(103,728)	155,663
Other Receivables	(964,748)	2,127,624
Prepaid Expenses and Other Assets	(396,792)	(495,509)
Accounts Payable and IBNR Claims	1,493,837	(915,856)
Deferred Rent Obligation	1,212,778	(121,762)
Grants Payable	99,906	267,673
Accrued Salaries, Payroll Taxes, and Employee Benefits	(659,037)	(347,840)
Net Cash Provided (Used) by Operating Activities	(558,315)	10,543,337
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Investments	(36,163)	(42,107)
Purchase of Property and Equipment	(2,497,312)	(2,499,354)
Net Cash Used by Investing Activities	(2,533,475)	(2,541,461)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net Advances from Third-Party	273,007	310,633
Principal Payment on Capital Lease Obligations	(700,581)	(389,484)
Principal Payments on Long-Term Debt	(811,345)	(687,203)
Net Cash Used by Financing Activities	(1,238,919)	(766,054)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(4,330,709)	7,235,822
Cash and Cash Equivalents - Beginning of Year	12,913,083	5,677,261
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 8,582,374	\$ 12,913,083
<b>SUPPLEMENTARY INFORMATION</b>		
Cash Paid for Interest	\$ 345,463	\$ 186,418
Fixed Asset Additions Financed with Debt and Accounts Payable	\$ 4,111,604	\$ 4,986,680

See accompanying Notes to Consolidated Financial Statements.

**ACCESS COMMUNITY HEALTH NETWORK AND AFFILIATE  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

Access Community Health Network (ACCESS), one of the nation's largest federally qualified health centers (FQHC), provides primary and preventive health care services to more than 180,000 patients each year. ACCESS is an Illinois nonprofit corporation incorporated on August 10, 1984. Accredited by The Joint Commission, ACCESS operates 36 health centers throughout the Chicagoland area, including Cook and DuPage counties.

The mission of ACCESS is to provide outstanding preventive and primary health care, accessible to all in their own communities. With its integrated service delivery approach that is anchored in a strong patient-centered medical home model, ACCESS offers a nationally recognized model for expanding quality health care to underserved populations.

HealthCura Real Estate, Inc. (HealthCura) is an Illinois nonprofit corporation that was incorporated on August 10, 2018 with ACCESS as its sole controlling member. HealthCura was created to hold the building and debt related ACCESS' Brandon clinic location. See Note 6 for further discussion of the debt related to this location.

**Principles of Consolidation**

The accompanying consolidated financial statements include the amounts of ACCESS and HealthCura, collectively referred to as the Organization. All significant intercompany accounts and transactions have been eliminated in the consolidated financials.

**Use of Estimates in Preparing Consolidated Financial Statements**

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 disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Although estimates are considered fairly stated at the time made, actual results could differ from those estimates. Significant estimates in the accompanying consolidated financial statements include contractual allowance reserves, allowance for uncollectible accounts, and incurred but not reported claims payables.

**Basis of Accounting and Presentation**

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The Organization maintains its accounts in accordance with the principles and practices of fund accounting. Fund accounting is the procedure by which resources for various purposes are classified for accounting purposes in accordance with activities or objectives specified by donors.

**ACCESS COMMUNITY HEALTH NETWORK AND AFFILIATE  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Basis of Accounting and Presentation (Continued)**

These consolidated financial statements have been prepared to focus on the Organization as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions. This has been accomplished by classification of balances and transactions into two classes of net assets: net assets without donor restrictions or net assets with donor restrictions, as required by the Financial Accounting Standards Board (FASB) in its Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*.

Accordingly, net assets and changes therein are classified as follows:

*Net Assets Without Donor Restrictions* – Those resources available for use in general operations, not subject to donor (or certain grantor) restrictions and which the board of directors (board) has discretionary control.

*Net Assets With Donor Restrictions* – Those resources subject to donor-imposed restrictions that will be satisfied by actions of the Organizations or through the passage of time. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained by the Organization in perpetuity. Generally, the donors of these assets permit the Organizations to use all or part of the income earned on related investments for program purposes. As of June 30, 2019 and 2018, the Organization had no net assets with perpetual donor restrictions.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Revenues that are restricted by the donor are reported as an increase in net assets without donor restrictions, if the restriction expires in the reporting period in which the revenue is recognized. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between applicable classes of net assets.

**Statement of Functional Expenses**

The costs of providing various program and other activities have been summarized on a functional basis in the statement of functional expense. The Organization allocates its expenses among program and support services. Expenses that can be identified with a specific program or support service are allocated directly according to the benefits provided. Costs not directly attributable to a function, including depreciation, interest and other occupancy costs are allocated by various statistical bases as determined by management.

**ACCESS COMMUNITY HEALTH NETWORK AND AFFILIATE  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Cash and Cash Equivalents**

The Organization considers cash on deposit at banks and highly liquid investments with maturities of three months or less at the date of purchase to be cash and cash equivalents.

**Patient and Managed Care Receivables**

Patient receivables, for which a third-party payor is responsible for paying, are carried at a net amount determined by the original charge for the service provided, less an estimate made for contractual fee adjustments or discounts provided to third-party payors. Receivables due directly from the patients are carried at the original charge for the service provided, less amounts covered by third-party payors, and less an estimated allowance for uncollectible receivables.

The Organization maintains allowances for uncollectible accounts for estimated losses resulting in a payor's inability to make payments on accounts. The Organization estimates the allowance for uncollectible accounts, fees adjustments, and discounts is based on management's assessment of historical and expected net collections considering historical and current business and economic conditions, trends in health care coverage, and other collection indicators. Accounts are generally written off when collection efforts have been exhausted. Recoveries of receivables previously written off are recorded as a reduction of service fee revenue adjustment account when received. The Organization does not charge interest on past due accounts. The allowance for uncollectible accounts, fee adjustments, and discounts at June 30, 2019 and 2018 was \$4,229,823 and \$3,475,260, respectively.

**Investments and Investment Income**

All investments are valued at their fair values in the statements of financial position. Investment income includes dividend, interest, and realized gains and losses from unrestricted investments and is recorded as other income. Unrealized gains and losses are included in the change in net assets.

**Grants Receivable**

Grants receivable consists of costs under the grant agreements that were incurred prior to year-end, for which payment has not been received.

**Property and Equipment**

Fixed asset purchases greater than \$5,000 are capitalized and stated at cost. Donations of property and equipment are recorded as support at their estimated economic fair value. Provisions for depreciation of buildings, office equipment, computer equipment, and leasehold improvements are computed using the straight-line method based upon the estimated useful lives or lease term, if shorter, of the related assets which range from three to forty years.

As of June 30, 2019 and 2018, construction in progress consisted of assets acquired which have not yet been placed into service. None of the construction in progress consists of long-term construction contracts.

**ACCESS COMMUNITY HEALTH NETWORK AND AFFILIATE  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Impairment of Long-Lived Assets**

The Organization reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of are reported at the lower of carrying amount or the fair value less costs to sell.

**Deferred Rent Obligation**

The Organization has operating leases which contain provisions for rent abatement at the beginning of the lease term and for escalating rent throughout the lease term. In accordance with accounting principles generally accepted in the United States of America, the Organization records monthly rent expense equal to the total of the payments due over the lease term, divided by the number of months of the lease term. The difference between rent expense recorded and the amount paid is charged to deferred rent obligation.

**Income Taxes**

ACCESS is exempt from federal and state income tax under Section 501(c)(3) of the Internal Revenue Service (IRC). HealthCura is exempt from federal income tax under Section 501(c)(2) of the IRC. In addition, ACCESS qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation within the meaning of Section 509(a) of the IRC.

The Organization had no unrelated business income during fiscal years 2019 and 2018; consequently, no provision for federal or state income taxes has been made in the accompanying consolidated financial statements. The Organization determined that it was not required to record a liability related to uncertain tax positions.

**Adoption of New Accounting Standard – ASU 2016-14**

In 2019, the Organization adopted Accounting Standards Update (ASU) No. 2016-14 – *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This guidance is intended to improve the net asset classification requirements and the information presented in the consolidated financial statements and notes to the consolidated financial statements about a nonprofit entity's liquidity and financial performance. Main provisions include presentation of two classes of net assets versus the previously required three; the requirement to present a statement of functional expenses and disclosure information about liquidity and availability of resources. The Organization has elected to exclude presentation of the 2018 statement of functional expense.

**ACCESS COMMUNITY HEALTH NETWORK AND AFFILIATE  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Liquidity and Availability**

As of June 30, 2019 and 2018, the Organization has working capital of \$10,273,396 and average day's cash on hand (based on normal expenditures) of 24 days.

The Organization regularly monitors the availability of resources required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization consider all expenditures related to its ongoing programmatic activities as well as the conduct of services undertaken to support those activities to be general expenditures. To help manage unanticipated liquidity needs, the Organization can borrow up to \$5,000,000 from a committed line of credit.

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

	June 30, 2019
Financial Assets at Year-End:	
Cash and Cash Equivalents	\$ 8,582,374
Patient Accounts Receivable, Net	5,988,354
Managed Care Receivables	4,047,386
Contracts and Grants Receivable	1,444,971
Other Receivables	2,729,902
Investments	1,537,766
Total Financial Assets Available for Use Within One Year	\$ 24,330,753

**Recent Accounting Pronouncements**

**Revenue Recognition**

In May 2014, the Financial Accounting Standards Board (FASB) issued amended guidance to clarify the principles for recognizing revenue from contracts with customers. The guidance requires an entity to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The guidance also requires expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. Additionally, qualitative and quantitative disclosures are required regarding customer contracts, significant judgments and changes in judgments, and assets recognized from the costs to obtain or fulfill a contract. The guidance will initially be applied retrospectively using one of two methods.

The standard will be effective for the Organization for annual periods beginning after December 15, 2018.

**ACCESS COMMUNITY HEALTH NETWORK AND AFFILIATE  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Recent Accounting Pronouncements (Continued)**

**Leases**

In February 2016, the FASB issued amended guidance for the treatment of leases. The guidance requires lessees to recognize a right-of-use asset and a corresponding lease liability for all operating and finance leases with lease terms greater than one year. The guidance changes the accounting for sale and leaseback transactions to conform to the new revenue recognition standard. The guidance also requires both qualitative and quantitative disclosures regarding the nature of the Organization's leasing activities. The guidance will initially be applied using a modified retrospective approach. The amendments in the guidance are effective for fiscal years beginning after December 15, 2019. Early adoption is permitted.

**Net Patient Service Revenue**

The Organization accounts for net patient service revenue in accordance with FASB ASC 954-605, *Health Care Entities, Revenue Recognition*. The Organization has agreements with third-party payors that provide for payments at amounts different from its established rates. Payment arrangements include prospectively determined rates per admission or visit, reimbursed costs, discounted charges, and per diem rates. Net patient service revenue is reported at the estimated net realizable amounts due from patients, third-party payors, and others for services rendered, including estimated adjustments under reimbursement agreements with third-party payors, certain of which are subject to audit by administering agencies. These adjustments are accrued on an estimated basis and are adjusted, as needed, in future periods.

For uninsured patients that do not qualify for charity care, The Organization recognizes revenue on the basis of its standard rates for services provided. A significant portion of The Organization's uninsured patients will be unable or unwilling to pay for the services provided. Thus, The Organization records a significant provision for bad debts related to uninsured patients in the period the services are provided. The Organization also records provision for doubtful accounts related to third-party payors for services provided.

**Care Coordination Fees**

The Organization has entered into care coordination agreements with various managed care organizations (MCO) under the terms of these agreements, The Organization receives compensation on a per member per month basis and recognizes the revenue during the month in which the payment relates.

**ACCESS COMMUNITY HEALTH NETWORK AND AFFILIATE  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Capitation Revenue**

The Organization has agreements with various health maintenance organizations (HMO) to provide medical services to subscribing participants. Under these agreements, the Organization receives monthly capitation payments based on the number of each HMO's participants assigned to the Organization, regardless of services actually performed. The Organization's HMO contracts provide for annual settlements based on utilization. The contracts settle at various times during the Organization's fiscal years. Settlements recorded during the years ended June 30, 2019 and 2018 were approximately \$5,070,000 and \$2,917,000, respectively, and are included in Capitation Revenue on the consolidated statements of operations and changes in net assets. Settlements earned but not yet received as of June 30, 2019 and 2018 were approximately \$2,532,000 and \$1,332,000, respectively, and are included within managed care receivables within the consolidated statements of financial position.

**340B Pharmacy Revenue**

The 340B drug-pricing program requires drug manufacturers to provide outpatient drugs to eligible health care organizations at significantly reduced prices. The 340B drug-pricing program enables participating entities to stretch scarce federal resources, reaching more eligible patients and providing more comprehensive services. Revenues and related pharmacy expenses recorded by the Organization from the 340B drug-pricing program are reflected on the statements of operations and changes in net assets.

**Other Revenue**

Other revenues primarily consist of funds received under the Electronic Health Record (EHR) Incentive Program during 2019 and 2018. The Organization recognizes revenue from Stage 1 as payments are received. For Stages 2 and beyond, the Organization recognizes revenue when management is reasonably assured they will meet all meaningful use objectives and any other specific grant requirements that are applicable (e.g., electronic transmission of quality measures to Centers for Medicare and Medicaid Services (CMS) in the second and subsequent payment years).

**Charity Care and Community Services**

The Organization is a nonprofit health care provider established to meet the health care needs of its community. The Organization has a policy of providing charity care to uninsured patients who meet certain criteria under its policy at amounts less than its established rates, or without charge. However, all patients are requested to pay a minimum fee for each visit, although no patient is denied services because of inability to pay. The Organization maintains records to identify and record the level of charity care it provides. Since management does not expect payment for this care, the services that are discounted from the established rates are excluded from revenue. During the years ended June 30, 2019 and 2018, the estimated cost of charity care provided was approximately \$12,700,000 and \$13,800,000, respectively. The estimated cost of charity care is based on a cost ratio developed from the Organization's most recently filed Medicaid cost report applied to the number of self-pay encounters on a calendar year basis.



**ACCESS COMMUNITY HEALTH NETWORK AND AFFILIATE  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Contributions**

The Organization accounts for contributions in accordance with FASB ASC 958-605, *Not-for-Profit Entities, Revenue Recognition*. Per FASB ASC 958-605, contributions, including unconditional promises to give, are recognized as revenue in the period received. Conditional promises to give are not recognized as revenue until the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions from unconditional promises to give that are to be received after one year are discounted at an appropriate discount rate based on an average federal funds rate.

**Government Grants and Contracts**

The Organization has several contracts with government agencies to fund its various programs. These programs involve providing health care services, health care research, capital improvements, and various counseling services. Expenditures are charged to these programs to the extent that such expenditures are reimbursable by the various funding agencies. These expenditures are subject to audit and acceptance by the funding agencies and, as a result of such audit, adjustments could be required. Management does not anticipate any adjustments for the revenue shown as of June 30, 2019 and 2018 from these sources.

**Donated Services**

Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills and are provided by individuals possessing those skills which would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received. Contributions of space, operating supplies, and expenses are recorded at their fair value when received. There were no donated services as of June 30, 2019 and 2018.

**Surplus (Deficit) of Revenues Over Expenses**

The consolidated statements of operations and changes in net assets includes deficit of revenues over expenses. Changes in unrestricted net assets which are excluded from the deficit of revenues over expenses, consistent with industry practice, include grants restricted for the acquisition of capital assets and unrealized gains on investments.

**NOTE 2 FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS**

Accounting principles generally accepted in the United States of America defines fair value as the price that would be received for an asset or paid to transfer a liability (an exit price) in The Organization's principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

**ACCESS COMMUNITY HEALTH NETWORK AND AFFILIATE  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018**

**NOTE 2 FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (CONTINUED)**

The guidance establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

The standard describes three levels of inputs that may be used to measure fair value:

*Level 1* – Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date. The fair values of common stock and mutual funds that are readily marketable are determined by obtaining quoted prices on nationally recognized securities exchanges.

*Level 2* – Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

*Level 3* – Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

In many cases, a valuation technique used to measure fair value includes inputs from multiple levels of the fair value hierarchy. The level that has the most observable significant input determines the placement of the entire fair value measurement in the hierarchy.

The fair values of assets measured on a recurring basis at June 30 are as follows:

<u>June 30, 2019</u>	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Other Unobservable Inputs (Level 3)</u>
Investments:				
Mutual Fund:				
Total Stock Market	\$ 244,476	\$ 244,476	\$ -	\$ -
Wellesley Income Fund	1,293,290	1,293,290	-	-
Total Investments	<u>\$ 1,537,766</u>	<u>\$ 1,537,766</u>	<u>\$ -</u>	<u>\$ -</u>

**ACCESS COMMUNITY HEALTH NETWORK AND AFFILIATE  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018**

**NOTE 2 FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (CONTINUED)**

<u>June 30, 2018</u>	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Other Unobservable Inputs (Level 3)</u>
Investments:				
Mutual Fund:				
Total Stock Market	\$ 224,312	\$ 224,241	\$ -	\$ -
Wellesley Income Fund	<u>1,173,273</u>	<u>1,173,273</u>	<u>-</u>	<u>-</u>
Total Investments	<u>\$ 1,397,585</u>	<u>\$ 1,397,514</u>	<u>\$ -</u>	<u>\$ -</u>

**NOTE 3 CONTRACTUAL ARRANGEMENTS WITH THIRD-PARTY PAYORS**

The Organization has agreements with third-party payors which provide for reimbursement at amounts different from their established rates. Contractual adjustments under third-party reimbursement programs principally represent the differences between the Organization's billings at list price and the amounts reimbursed by Medicare, Medicaid, and certain other third-party payors; they also include any differences between estimated retroactive third-party reimbursement settlements for prior years and subsequent final settlements.

The Organization provides care to certain patients under Medicare and Medicaid payment arrangements. Beginning on October 1, 2014 Medicare & Medicaid Services (CMS) implemented a change in payment rates for a Prospective Payment System (PPS) for Federally Qualified Health Centers (FQHC) under Medicare Part B. Under the FQHC PPS, Medicare pays FQHCs based on the lesser of their actual charges or the PPS rate for all FQHC services furnished to a beneficiary on the same day when a medically necessary, face-to-face FQHC visit is furnished to a Medicare beneficiary. The FQHC is paid 80% of the established FQHC rate, with the beneficiary being responsible for the remaining 20% as co-insurance, or alternatively, the remaining 20% is billed to Medicaid for qualifying patients (dual eligible). The FQHC PPS base rate is adjusted for each FQHC by the FQHC geographic adjustment factor (GAF).

The Medicaid reimbursement agreement pays the Organization for covered services at predetermined rates, adjusted annually by the Medicare economic index.

The Organization also has contractual arrangements with various Health Maintenance and Preferred Provider Organizations (HMO/PPO), the terms of which call for the Organization to be paid for covered services at negotiated rates.

Provisions have been made in the consolidated financial statements for estimated contractual adjustments, which represent the difference between the charges for service and estimated payments.

**ACCESS COMMUNITY HEALTH NETWORK AND AFFILIATE  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018**

**NOTE 3 CONTRACTUAL ARRANGEMENTS WITH THIRD-PARTY PAYORS (CONTINUED)**

Net patient service revenue recognized under the Medicare and Medicaid reimbursement arrangements amounted to approximately \$53,420,000 and \$55,870,000 for the years ended June 30, 2019 and 2018, respectively. Revenue received under HMO/PPO reimbursement amounted to approximately \$9,216,000 and \$9,419,000 for the years ended June 30, 2019 and 2018, respectively.

Patient accounts receivable, net primarily consists of amounts due from Medicare and Medicaid for the years ended June 30, 2019 and 2018.

Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates may change by a material amount in the near term. The Organization believes it is in compliance with all applicable laws and regulations. Compliance with such laws and regulations can be subject to future government review and interpretation, as well as significant regulatory action, including fines, penalties, and exclusion from the Medicare and Medicaid programs.

**NOTE 4 INCURRED BUT NOT REPORTED (IBNR) CLAIMS**

The Organization enters into capitation arrangements whereby the Organization accepts the risk for the provision of certain health care services to health plan members. Under these agreements, the Organization is financially responsible for services provided to the health plan members by most institutional health care providers. Capitation premiums received and accrued based on health plan members are recorded as capitation revenue in the statements of operations and changes in net assets.

Reserves for incurred but not reported (IBNR) claims have been established to cover the unpaid costs of these services. The liability is estimated based on historical reporting and payment trends. Subsequent actual claim experience will differ from the estimated liability due to variances in estimated and actual utilization of health care services, the amount of charges, and other factors. As settlements are made and estimates are revised, the differences are reflected in current operations. The Organization maintains stop-loss insurance coverage to limit its exposure to large contracted medical services claims. Related stop-loss insurance recoveries are recorded when received. The IBNR liability amounted to approximately \$560,000 and \$652,000 at June 30, 2019 and 2018, respectively.

**ACCESS COMMUNITY HEALTH NETWORK AND AFFILIATE  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018**

**NOTE 5 LINE OF CREDIT**

The Organization has entered into a line of credit agreement with a bank which allows for maximum borrowings of up to \$5,000,000. The line of credit is secured by rights to various assets owned by the Organization and matures on January 2, 2020. Interest is payable monthly and accrues at the rate of the one-month London Interbank Offered Rate (LIBOR) rate plus 4.25% (5.485% at June 30, 2019). There were no borrowings outstanding under this line at June 30, 2019 and 2018.

The terms of the line of credit provide for certain financial and nonfinancial covenants. At June 30, 2019 and 2018, the Organization was in compliance with these covenants.

**NOTE 6 LONG-TERM DEBT**

Long-term debt consists of the following at June 30:

<u>Description</u>	<u>2019</u>	<u>2018</u>
Note payable to Joseph Lee and Sharon Halliday (collectively), maturing on July 1, 2022, bearing stated interest at 7.5%, payable in monthly installments of \$3,222 and secured by building (ACCESS Southwest Family Health Center).	\$ 103,589	\$ 133,269
Promissory note payable to Sinai Health System and Affiliates, maturing on September 1, 2023, bearing stated interest at 2%, payable in annual installments of \$500,000 and secured by the mortgage.	2,500,000	3,000,000
Qualified Low-Income Community Investment (QLICI) loan maturing in October 2023, bearing interest at 3.39% payable in monthly installments of \$66,667.	3,866,667	-
Mortgage payable maturing on September 1, 2022, bearing interest at 2% plus prime (7% at June 30, 2018), payable in monthly installments of \$7,148 and secured by building.	878,511	902,864
Promissory note payable to Central DuPage Health, maturing on April 1, 2021, bearing interest at 5.25%, payable in monthly installments of \$11,699 and secured by building (ACCESS Martin T. Russo Family Health Center).	<u>244,869</u>	<u>368,848</u>
Subtotal	7,593,636	4,404,981
Less: Current Maturities	<u>955,280</u>	<u>678,010</u>
Total	<u>\$ 6,638,356</u>	<u>\$ 3,726,971</u>

**ACCESS COMMUNITY HEALTH NETWORK AND AFFILIATE  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018**

**NOTE 6 LONG-TERM DEBT (CONTINUED)**

Future maturities of long-term debt are as follows as of June 30:

<u>Year Ending June 30.</u>	<u>Amount</u>
2020	\$ 955,280
2021	942,011
2022	832,390
2023	1,563,955
2024	3,300,000
Total	<u>\$ 7,593,636</u>

**Net Market Tax Credit Note Payable**

On October 30, 2018, HealthCura entered into a loan agreement with MIRF Subsidiary CDE 1, LLC (the Lender), which acted as the Community Development Entity (CDE), leveraged lender and NMTC allocatee within a NMTC transaction. The NMTC program was enacted by Congress as part of the Community Renewal Tax Relief Act of 2000. This program permits individual and corporate taxpayers to receive a credit against federal income taxes for making Qualified Equity Investments (QEIs) in qualified CDEs.

As part of the NMTC transaction, CIBC Bank made a qualified equity investment (QEI) of \$50,000,000 into the Lender. A portion of the QEI was then used to make Qualified Low-Income Community Investment (QLICI) loans in Qualified Active Low-Income Community Businesses (QALICB), one of which was to HealthCura. The QLICI loan received by HealthCura from this transaction was in the amount of \$4,000,000, bears interest at 3.39%, and requires quarterly principal payments for five years commencing on January 1, 2019. The outstanding principal and interest on the loan is due October 30, 2023. The notes are collateralized by all land and real property of the Organization.

**NOTE 7 CAPITAL LEASE OBLIGATIONS**

The Organization has entered into a capital lease for computer equipment which has a term of 60 months and matures on October 22, 2023. The terms of the lease require monthly payments of \$60,626 during months one through twelve, \$72,751 during months thirteen through twenty-four and \$79,233 per month thereafter, including interest at 3.7% per year. The total cost and accumulated depreciation as of June 30, 2019 of these assets was \$4,041,718 and \$1,090,075, respectively, and as of June 30, 2018, \$4,041,718 and \$535,942, respectively.

**ACCESS COMMUNITY HEALTH NETWORK AND AFFILIATE  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018**

**NOTE 7 CAPITAL LEASE OBLIGATIONS (CONTINUED)**

The Organization's estimated future minimum lease payments under capital lease obligations together with the present value of the net minimum lease payments at June 30, 2019, are shown below:

<u>Year Ending June 30,</u>	<u>Amount</u>
2020	\$ 924,869
2021	950,799
2022	950,799
2023	<u>316,938</u>
Total Minimum Lease Payments	3,143,405
Less: Amount Representing Interest	<u>(191,762)</u>
Present Value of Minimum Lease Payments	<u><u>\$ 2,951,643</u></u>

**NOTE 8 DUE TO THIRD PARTY**

The Organization maintained a balance due to a third party (Sinai Health Systems). The amounts due to the third party primarily included charges for office rental, sterilization, and healthcare services. Previous services also include computer and software rental and sub-capitation agreements. These amounts were offset against amounts due to the Organization from the third party for shared provider services.

On September 9, 2016, the Organization entered into a mutual settlement agreement with the third party. The terms of the settlement agreement included the provision for an immediate payment of cash by the Organization to the third party equal to \$10,350,000, the Organization entering into a \$3,500,000 secured note payable with the third party, and the forgiveness of \$6,850,000 of the due to third party balance. See Note 6 for additional terms to the note payable. The terms of the settlement agreement include various confidentiality provisions.

As of June 30, 2019 and 2018, the balance due to third party consists of accrued interest of \$41,667 and \$62,157, respectively, on the note payable and amounts owed for services provided.

**NOTE 9 OPERATING LEASE COMMITMENTS**

The Organization leases property and equipment under noncancelable operating leases. Pursuant to the leases, the Organization is also responsible for real estate taxes, insurance, and general maintenance of the property. Rental expense, including real estate taxes, insurance and general maintenance, amounted to \$10,089,015 and \$8,539,497 for the years ended June 30, 2019 and 2018, respectively. These amounts are included under Occupancy and Purchased Services in the statements of operations and changes in net assets.

**ACCESS COMMUNITY HEALTH NETWORK AND AFFILIATE  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018**

**NOTE 9 OPERATING LEASE COMMITMENTS (CONTINUED)**

The aggregate minimum rental commitments, excluding real estate taxes, insurance, and general maintenance, under all noncancelable operating leases are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2020	\$ 6,703,030
2021	5,710,872
2022	5,285,098
2023	3,478,824
2023	3,318,763
Thereafter	13,518,789
Total	<u>\$ 38,015,376</u>

**NOTE 10 BENEFIT PLANS**

**Tax Sheltered Annuity Plan – 403(b)**

The Organization maintains a 403(b) plan covering substantially all employees. Under terms of the plan, employees under the age of 50 years were able to contribute the lower of \$16,500 or 100% of his/her annual compensation for fiscal years 2019 and 2018. The maximum contribution for employees at or above the age of 50 years was the lower of \$22,000 or 100% of his/her annual compensation for fiscal years 2019 and 2018.

The Organization's contribution to the plan is discretionary and amounted to \$681,845 and \$232,625 for the years ended June 30, 2019 and 2018, respectively.

**Deferred Compensation Plan – 457(b)**

Effective August 1, 2015, the Organization created an eligible deferred compensation plan for certain highly compensated senior employees. The plan is funded solely by employee contributions. Eligible employees may elect to contribute up to a maximum dollar amount under section 457(e)(15) of the Internal Revenue Code. The assets of the plan are the legal assets of the Organization until they are distributed to participants, and therefore, the plan assets and corresponding liability are reported in the statement of financial position. Plan assets, at fair value, at June 30, 2019 and 2018 are \$2,369,980 and \$1,971,490, respectively.



**ACCESS COMMUNITY HEALTH NETWORK AND AFFILIATE  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018**

**NOTE 10 BENEFIT PLANS (CONTINUED)**

**Deferred Compensation Plan – 457(b) (Continued)**

All assets at June 30, 2019 and 2018 are classified within the FASB's fair value hierarchy as follows:

<u>June 30, 2019</u>	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Other Unobservable Inputs (Level 3)</u>
Investments:				
Mutual Fund:				
Portfolios	\$ 596,767	\$ 596,767	\$ -	\$ -
International Funds	116,553	116,553	-	-
Vanguard Funds	428,449	428,449	-	-
Real Estate Fund	10,397	10,397	-	-
Growth Funds	713,309	713,309	-	-
Value Funds	226,389	226,389	-	-
Small Cap Fund	45,993	45,993	-	-
Mid Cap Fund	23,166	23,166	-	-
Total Return Fund	208,957	208,957	-	-
Total Investments	<u>\$ 2,369,980</u>	<u>\$ 2,369,980</u>	<u>\$ -</u>	<u>\$ -</u>
<u>June 30, 2018</u>	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Other Unobservable Inputs (Level 3)</u>
Investments:				
Mutual Fund:				
Portfolios	\$ 456,863	\$ 456,863	\$ -	\$ -
International Funds	115,343	115,343	-	-
Vanguard Funds	317,763	317,763	-	-
Real Estate Fund	5,765	5,765	-	-
Growth Funds	622,588	622,588	-	-
Value Funds	219,891	219,891	-	-
Small Cap Fund	45,080	45,080	-	-
Mid Cap Fund	27,410	27,410	-	-
Total Return Bond	160,787	160,787	-	-
Total Investments	<u>\$ 1,971,490</u>	<u>\$ 1,971,490</u>	<u>\$ -</u>	<u>\$ -</u>

**ACCESS COMMUNITY HEALTH NETWORK AND AFFILIATE  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018**

**NOTE 11 NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions as to purpose are as follows:

	June 30, 2018 <u>Balance</u>	Support and Revenues	Satisfaction of Restriction	June 30, 2019 <u>Balance</u>
Gilead Science, Inc.	\$ 55,221	\$ -	\$ 55,221	\$ -
Chicago Community Trust	30,884	35,000	34,864	31,020
Healthy Communities Foundation	-	100,000	43,640	56,360
Alfred Bersted Foundation	4,433	8,000	5,675	6,758
Blue Island Community Health Foundation	-	5,000	2,087	2,913
Lloyd A. Fry Foundation	-	65,000	13,566	51,434
West Side United	-	40,000	12,167	27,833
Robert Wood Johnson Foundation	77,303	-	77,303	-
RCHN Community Health Foundation	51,039	-	51,039	-
IL Community Healthcare Foundation	13,546	-	13,546	-
Hospira Foundation	1,150,018	-	305,017	845,001
Amounts Below \$10,000	22,376	16,000	24,459	13,917
Total	<u>\$ 1,404,820</u>	<u>\$ 269,000</u>	<u>\$ 638,584</u>	<u>\$ 1,035,236</u>

  

	June 30, 2017 <u>Balance</u>	Support and Revenues	Satisfaction of Restriction	June 30, 2018 <u>Balance</u>
Gilead Science, Inc.	\$ 31,329	\$ 122,520	\$ 98,628	\$ 55,221
Chicago Community Trust	27,376	35,000	31,492	30,884
Alfred Bersted Foundation	4,496	10,000	10,063	4,433
Blue Island Community Health Foundation	9,230	-	9,230	-
Lloyd A. Fry Foundation	127,507	-	127,507	-
Robert Wood Johnson Foundation	106,554	99,475	128,726	77,303
RCHN Community Health Foundation	-	125,000	73,961	51,039
IL Community Healthcare Foundation	-	20,000	6,454	13,546
Hospira Foundation	1,536,451	116,075	502,508	1,150,018
Amounts below \$10,000	19,915	5,000	2,539	22,376
Total	<u>\$ 1,862,858</u>	<u>\$ 533,070</u>	<u>\$ 991,108</u>	<u>\$ 1,404,820</u>

**NOTE 12 SIGNIFICANT ESTIMATES AND CONCENTRATIONS**

Financial instruments that potentially subject the Organization to a concentration of credit risk consist of cash deposits. The Organization maintains bank accounts at several local banks that are insured by the Federal Deposit Insurance Corporation up to \$250,000. At times, cash balances may exceed federally insured limits; however, the Organization has not experienced any losses in such accounts and limits the exposure to credit risk by maintaining its cash and cash equivalents in highly reputable institutions.

**ACCESS COMMUNITY HEALTH NETWORK AND AFFILIATE  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018**

**NOTE 12 SIGNIFICANT ESTIMATES AND CONCENTRATIONS (CONTINUED)**

Government grant funding, predominately from the federal government and the state of Illinois, represents approximately 15% and 15% of total revenue and support for the years ended June 30, 2019 and 2018, respectively. If this support were discontinued, it would have a material adverse effect on the Organization.

**NOTE 13 FUNCTIONAL EXPENSES**

The operating expenses in the statements of operations and changes in net assets primarily relates to the following:

	2019	2018
Program Services	\$ 109,697,776	\$ 100,860,510
Management and General	26,529,875	26,687,421
Total Expenses	<u>\$ 136,227,651</u>	<u>\$ 127,547,931</u>

**NOTE 14 COMMITMENTS AND CONTINGENCIES**

**Medical Malpractice Insurance Coverage and Claims**

The Organization is covered under the provision of Federal Tort Claims Act (FTCA) for malpractice. The FTCA is a government-funded program which allows federally qualified health centers to be covered for malpractice.

**Risk Management**

The Organization is exposed to various risks of loss related to; theft of, damage to, and destruction of assets; errors and omissions, injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. This coverage has not changed significantly from the previous year. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years.

**Litigation**

In addition to professional liability claims, the Organization is involved in litigation arising in the ordinary course of business. In the opinion of management, after consultation with legal counsel, these matters are expected to be resolved without material adverse effect on The Organization's financial position, results of operations and changes in net assets, and cash flows.

**ACCESS COMMUNITY HEALTH NETWORK AND AFFILIATE  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018**

**NOTE 14 COMMITMENTS AND CONTINGENCIES (CONTINUED)**

**Regulatory Environment Including Fraud and Abuse Matters**

The health care industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not limited to, matters such as licensure, accreditation, government health care program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Government activity continues with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers. Violations of these laws and regulations could result in expulsion from government health care programs together with imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes that the Organization is in compliance with fraud and abuse and other applicable government laws and regulations. While no regulatory inquiries that are expected to have a material adverse effect on the Organization have been made, compliance with such laws and regulations can be subject to future government review and interpretation, as well as regulatory actions unknown or unasserted at this time.

**NOTE 15 ELECTRONIC HEALTH RECORD INVENTIVE PROGRAM**

The Electronic Health Record (EHR) Incentive Program was enacted as part of the American Recovery and Reinvestment Act of 2009 (ARRA) and the Health Information Technology for Economic and Clinical Health (HITECH) Act. These Acts provided for incentive payments under both the Medicare and Medicaid programs to eligible hospitals and providers that demonstrate meaningful use of certified EHR technology. The incentive payments are made based on a statutory formula and are contingent on the Organization continuing to meet the escalating meaningful use criteria. For the Stage 1, the Organization must attest, subject to an audit, they have adopted, implemented, or upgraded certified EHR technology used in achieving meeting the meaningful use criteria. For the subsequent stages, the Organization must demonstrate meaningful use for the entire year. Participants who have met Stage 1 for two or three years must meet meaningful use Stage 2 criteria. Stage 2 includes new objectives to improve patient care through better clinical decision support, care coordination, and patient engagement.

The incentive payments are generally made over a six-year period. For the years ended June 30, 2019 and 2018, the Organization received incentive payments of approximately \$654,000 and \$1,080,000, respectively, which are included in other revenues.

**ACCESS COMMUNITY HEALTH NETWORK AND AFFILIATE  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018**

**NOTE 16 RECLASSIFICATIONS**

Certain reclassifications have been made to the June 30, 2018 consolidated financial statement amounts in order to conform to the June 30, 2019 presentation. These reclassifications have had no impact on the total net assets, or changes in net assets previously reported.

**NOTE 17 SUBSEQUENT EVENTS**

Management evaluated subsequent events through September 27, 2019 the date the consolidated financial statements were available to be issued. Events or transactions occurring after June 30, 2019 but prior to September 27, 2019 that provided additional evidence about conditions that existed at June 30, 2019, have been recognized in the consolidated financial statements for the year ended June 30, 2019. Events or transactions that provided evidence about conditions that did not exist at June 30, 2019, but arose before the consolidated financial statements were available to be issued have not been recognized in the consolidated financial statements for the year ended June 30, 2019.

**ACCESS COMMUNITY HEALTH NETWORK AND AFFILIATE  
CONSOLIDATING STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2019**

<b>ASSETS</b>	HealthCura Real Estate, Inc.	ACCESS	Eliminations	Total
<b>CURRENT ASSETS</b>				
Cash and Cash Equivalents	\$ 49,595	\$ 8,532,779	\$ -	\$ 8,582,374
Patient Accounts Receivable, Net	-	5,988,354	-	5,988,354
Managed Care Receivables	-	4,047,386	-	4,047,386
Contracts and Grants Receivable	-	1,444,971	-	1,444,971
Other Receivables	-	2,729,902	-	2,729,902
Investments	-	1,537,766	-	1,537,766
Due From Affiliate	-	1,266,007	(1,266,007)	-
Prepaid Expenses and Other Assets	-	2,172,105	-	2,172,105
Total Current Assets	<u>49,595</u>	<u>27,719,270</u>	<u>(1,266,007)</u>	<u>26,502,858</u>
<b>PROPERTY AND EQUIPMENT</b>				
Land	26,000	930,666	-	956,666
Buildings and Improvements	5,240,007	22,450,217	-	27,690,224
Leasehold Improvements	-	20,099,642	-	20,099,642
Office Equipment	-	10,429,319	-	10,429,319
Computer Equipment	-	25,273,522	-	25,273,522
Construction in Progress	-	218,234	-	218,234
Total, at Cost	<u>5,266,007</u>	<u>79,401,600</u>	<u>-</u>	<u>84,667,607</u>
Less: Accumulated Depreciation	<u>(86,855)</u>	<u>(55,715,272)</u>	<u>-</u>	<u>(55,802,127)</u>
Total Property and Equipment	<u>5,179,152</u>	<u>23,686,328</u>	<u>-</u>	<u>28,865,480</u>
<b>LONG-TERM ASSETS</b>				
457(b) Plan Participant Assets	-	2,369,980	-	2,369,980
Other Assets	-	735,917	-	735,917
Total Long-Term Assets	<u>-</u>	<u>3,105,897</u>	<u>-</u>	<u>3,105,897</u>
Total Assets	<u>\$ 5,228,747</u>	<u>\$ 54,511,495</u>	<u>\$ (1,266,007)</u>	<u>\$ 58,474,235</u>
<b>LIABILITIES AND NET ASSETS</b>				
<b>CURRENT LIABILITIES</b>				
Accounts Payable and Accrued Expenses	\$ 33,133	\$ 5,863,396	\$ -	\$ 5,896,529
Incurred But Not Reported (IBNR) Claims	-	560,000	-	560,000
Accrued Salaries, Payroll Taxes, and Benefits	-	6,549,820	-	6,549,820
Grants Payable	-	551,893	-	551,893
Due to Third Party	-	524,265	-	524,265
Due to Affiliate	1,266,007	-	(1,266,007)	-
Capital Lease Obligation - Current Portion	-	829,309	-	829,309
Long-Term Debt - Current Portion	266,667	688,613	-	955,280
Total Current Liabilities	<u>1,565,807</u>	<u>15,567,296</u>	<u>(1,266,007)</u>	<u>15,867,096</u>
<b>NONCURRENT LIABILITIES</b>				
Other Long-Term Liability	-	315,000	-	315,000
Deferred Rent Obligation	-	2,380,886	-	2,380,886
457(b) Plan Participant Liability	-	2,369,980	-	2,369,980
Capital Lease Obligations - Noncurrent Portion	-	2,122,334	-	2,122,334
Long-Term Debt - Noncurrent Portion	3,599,998	3,038,358	-	6,638,356
Total Noncurrent Liabilities	<u>3,599,998</u>	<u>10,226,558</u>	<u>-</u>	<u>13,826,556</u>
Total Liabilities	<u>5,165,805</u>	<u>25,793,854</u>	<u>(1,266,007)</u>	<u>29,693,652</u>
<b>NET ASSETS</b>				
Without Donor Restrictions	62,942	27,682,405	-	27,745,347
With Donor Restrictions	-	1,035,236	-	1,035,236
Total Net Assets	<u>62,942</u>	<u>28,717,641</u>	<u>-</u>	<u>28,780,583</u>
Total Liabilities and Net Assets	<u>\$ 5,228,747</u>	<u>\$ 54,511,495</u>	<u>\$ (1,266,007)</u>	<u>\$ 58,474,235</u>

**ACCESS COMMUNITY HEALTH NETWORK AND AFFILIATE  
CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS  
YEAR ENDED JUNE 30, 2019**

	HealthCura Real	ACCESS			Eliminations	Consolidated		
	Estate, Inc.	Without Donor Restrictions	With Donor Restrictions	Total		Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUE</b>								
Patient Service Revenue, Net of Contractual Allowance, Fee Adjustments, and Discounts	\$ -	\$ 63,661,936	\$ -	\$ 63,661,936	\$ -	\$ 63,661,936	\$ -	\$ 63,661,936
Provision for Bad Debts	-	(1,674,177)	-	(1,674,177)	-	(1,674,177)	-	(1,674,177)
Net Patient Service Revenue	-	61,987,759	-	61,987,759	-	61,987,759	-	61,987,759
Care Coordination Fees	-	3,849,571	-	3,849,571	-	3,849,571	-	3,849,571
Capitation Revenue	-	15,203,266	-	15,203,266	-	15,203,266	-	15,203,266
340B Pharmacy Revenue	-	28,203,452	-	28,203,452	-	28,203,452	-	28,203,452
Total Revenues	-	109,244,048	-	109,244,048	-	109,244,048	-	109,244,048
<b>SUPPORT AND OTHER REVENUE</b>								
Government Grants and Contracts	-	19,616,898	-	19,616,898	-	19,616,898	-	19,616,898
Private Grants and Contributions	-	791,813	269,000	1,060,813	-	791,813	269,000	1,060,813
Third-Party Grants and Contracts	-	1,165,709	-	1,165,709	-	1,165,709	-	1,165,709
Other Revenue	240,000	1,514,776	-	1,514,776	(240,000)	1,514,776	-	1,514,776
Net Assets Released from Restrictions - Operating	-	638,584	(638,584)	-	-	638,584	(638,584)	-
Total Support and Other Revenue	240,000	23,727,780	(369,584)	23,358,196	(240,000)	23,727,780	(369,584)	23,358,196
Total Revenue, Support, and Other Revenue	240,000	132,971,828	(369,584)	132,602,244	(240,000)	132,971,828	(369,584)	132,602,244
<b>EXPENSES</b>								
Salaries, Wages, and Benefits	-	72,077,505	-	72,077,505	-	72,077,505	-	72,077,505
Purchased Services	-	13,880,349	-	13,880,349	-	13,880,349	-	13,880,349
Referred Medical Services	-	3,269,772	-	3,269,772	-	3,269,772	-	3,269,772
Supplies	-	5,745,648	-	5,745,648	-	5,745,648	-	5,745,648
Occupancy	-	17,090,420	-	17,090,420	(240,000)	16,850,420	-	16,850,420
Insurance	-	644,891	-	644,891	-	644,891	-	644,891
Interest	90,203	262,038	-	262,038	-	352,241	-	352,241
Depreciation	86,855	5,118,732	-	5,118,732	-	5,205,587	-	5,205,587
340B Pharmacy and Dispensing Fees	-	14,626,173	-	14,626,173	-	14,626,173	-	14,626,173
Other	-	3,575,065	-	3,575,065	-	3,575,065	-	3,575,065
Total Expenses	177,058	136,290,593	-	136,290,593	(240,000)	136,227,651	-	136,227,651
<b>SURPLUS OF REVENUES OVER EXPENSES</b>	62,942	(3,318,765)	(369,584)	(3,688,349)	-	(3,255,823)	(369,584)	(3,625,407)
Unrealized Gain on Investments	-	104,018	-	104,018	-	104,018	-	104,018
<b>CHANGES IN NET ASSETS</b>	62,942	(3,214,747)	(369,584)	(3,584,331)	-	(3,151,805)	(369,584)	(3,521,389)
Net Assets - Beginning of Year	-	30,897,152	1,404,820	32,301,972	-	30,897,152	1,404,820	32,301,972
<b>NET ASSETS - END OF YEAR</b>	\$ 62,942	\$ 27,682,405	\$ 1,035,236	\$ 28,717,641	\$ -	\$ 27,745,347	\$ 1,035,236	\$ 28,780,583





**ACCESS COMMUNITY HEALTH NETWORK AND AFFILIATE**  
**SINGLE AUDIT REPORTS**  
**YEAR ENDED JUNE 30, 2019**



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CONSULTING**

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

Board of Directors  
Access Community Health Network  
Chicago, Illinois

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 consolidated financial statements of Access Community Health Network (ACCESS) and Affiliate (collectively, the Organization) which comprise the consolidated statements of financial position as of June 30, 2019 and 2018 and the related consolidated statements of operations and changes in net assets and cash flows for the years then ended, the related consolidated statement of functional expenses for the year ended June 30, 2019, and the related notes to the consolidated financial statements, and have issued our report thereon dated September 27, 2019.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the consolidated 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 consolidated 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 consolidated 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 consolidated 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**

Oak Brook, Illinois  
September 27, 2019



**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  
Access Community Health Network  
Chicago, Illinois

**Report on Compliance for Each Major Federal Program**

We have audited Access Community Health Network's (ACCESS) compliance with the types of compliance requirements described in the Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of ACCESS' major federal programs for the year ended June 30, 2019. ACCESS' 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 ACCESS' 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 ACCESS' 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 ACCESS' compliance.

***Opinion on Each Major Federal Program***

In our opinion, ACCESS 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 June 30, 2019.

### **Other Matters**

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as 2019-001. Our opinion on each major federal program is not modified with respect to these matters.

ACCESS' response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. ACCESS' response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **Report on Internal Control over Compliance**

Management of ACCESS is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the ACCESS' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the ACCESS' 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings, responses, and questioned costs as item 2019-001 that we consider to be a significant deficiency.

ACCESS' response to the internal control over compliance finding identified in our audit are described in the accompanying scheduling of findings, responses, and questioned costs. ACCESS' response was not subjected to the 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 result of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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

We have audited the consolidated financial statements of ACCESS as of and for the year ended June 30, 2019, and have issued our report thereon dated September 27, 2019, which contained an unmodified opinion on those consolidated financial statements. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards (SEFA) is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the consolidated financial statements as a whole.



**CliftonLarsonAllen LLP**

Oak Brook, Illinois  
September 27, 2019

**ACCESS COMMUNITY HEALTH NETWORK AND AFFILIATE  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2019**

Federal Grantor/Pass Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Identifying Number	Passed Through to Subrecipients	Federal Expenditures
<b>Department of Health and Human Services</b>				
Health Center Program:				
Community Health Centers Grant	93.224	N/A	\$ -	\$ 4,527,967
Grants for New and Expanded Services under the Health Center Program				
Community Health Centers Grant	93.527	N/A	-	<u>10,319,871</u>
Health Center Program Cluster (CFDA #93.224 and 93.527)			-	14,847,838 *
Healthy Start Initiative Program:				
West Side Healthy Start (Eliminating Disparities in Prenatal Health) Grant	93.926	N/A	-	1,148,721
Substance Abuse and Mental Health Services Administration (SAMHSA):				
Chicago SBIRT Project	93.243	1H79T1081134-01	-	454,003
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease:				
HIV/AIDS Early Intervention Services Grant	93.918	N/A	-	572,160
Coordinated Services and Access to Research for Women, Infants, Children, and Youth:				
Ryan White Part D Grant	93.153	N/A	-	376,401
Passed through the State of Illinois Department of Public Health:				
Family Planning Services Program: Title X Family Planning grant	93.217	96180044G	-	175,042
Passed through the Illinois Department of Public Health:				
Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations:				
Breast and Cervical Cancer Outreach grant	93.898	96180001G	102,772	166,532
Passed through Bureau of Health Workforce Division of Nursing and Public Health				
Advanced Nursing Education Workforce (ANEW) Program	93.247	N/A	-	21,196
Passed through Illinois Department of Public Health:				
Social Services Block Grant (Title XX)	93.667	96180044G	-	73,501
Passed through the National Institute of Health:				
National Institute on Minority Health and Health Disparities Promoting Healthy Lifestyle Behaviors to address obesity related complications of African Americans with Severe Mental Illness	93.307	R01MD010541	-	5,376

*This schedule should be read only in connection with the accompanying Notes to Schedule of Expenditures of Federal Awards.*



**ACCESS COMMUNITY HEALTH NETWORK AND AFFILIATE  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)  
YEAR ENDED JUNE 30, 2019**

Federal Grantor/Pass Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Identifying Number	Passed Through to Subrecipients	Federal Expenditures
Passed through the National Institute of Health: Cardiovascular Disease Research NIH_NHLBI-Quartet USA	93.837	1R61HL13985201	\$ -	\$ 208,363
Passed through Northwestern University: Aging Research Program Lit Cog II: Health Literacy and Cognitive Function Among Older Adults	93.866	60043310 ACHN	-	15,558
Centers for Disease Control (CDC): Comprehensive High Impact HIV Prevention Projects for Community Based Organizations	93.939	N/A	-	413,830
Passed through the Chicago Department of Public Health: HIV Prevention Activities Health Department Based Program: HIV Prevention	93.940	31661	-	194,522
Health Resources and Services Administration: Special Projects of National Significance	93.928	N/A	-	58,877
Total Department of Health and Human Services			<u>102,772</u>	<u>18,731,920</u>
Total Expenditures of Federal Awards			<u>\$ 102,772</u>	<u>\$ 18,731,920</u>

\* Program was tested as a major program.

*This schedule should be read only in connection with the accompanying Notes to Schedule of Expenditures of Federal Awards.*

**ACCESS COMMUNITY HEALTH NETWORK AND AFFILIATE  
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation**

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

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the SEFA 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. ACCESS has not elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**NOTE 3 OTHER MATTERS**

Amount of Noncash Assistance	None
Amount of Insurance	None
Amount of Loans	None
Amount of Loan Guarantees	None

**ACCESS COMMUNITY HEALTH NETWORK AND AFFILIATE  
SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2019**

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***Section I – Summary of Auditors’ Results***

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**Financial Statements**

Type of auditors' report issued:                     **Unmodified**                    

Internal control over financial reporting:

Material weakness(es) identified?                      yes                     **X**                     no

Significant deficiency(ies) identified?                      yes                     **X**                     none reported

Noncompliance material to financial statements noted?                      yes                     **X**                     no

**Federal Awards**

Internal control over major federal programs:

Material weakness(es) identified?                      yes                     **X**                     no

Significant deficiency(ies) identified                     **X**                     yes                      none reported

Type of auditors' report issued on compliance for major federal programs?                     **Unmodified**                    

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

Identification of Major Federal Programs:

<u><b>CFDA Number(s)</b></u>	<u><b>Name of Federal Program or Cluster</b></u>
93.224 and 93.527	Health Center Program Cluster

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

Auditee qualified as low-risk auditee?                     **X**                     yes                      no

**ACCESS COMMUNITY HEALTH NETWORK AND AFFILIATE  
SCHEDULE OF FINDINGS, RESPONSES AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2019**

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***Section II – Financial Statement Findings***

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

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***Section III – Findings and Questioned Costs – Major Federal Programs***

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***Finding 2019-001 – Special Provisions***

Major Program: Health Centers Cluster  
CFDA Numbers: 93.224 and 93.527  
Federal Agency: U.S. Department of Health and Human Services  
Grant Number: H80CS00834  
Grant Period: 3/1/18 - 2/28/19 and 3/1/19 - 2/28/20  
Type of Finding: Significant deficiency in internal control over compliance

***Criteria:***

Health centers must prepare and apply a sliding fee discount schedule so that the amounts owed for health center services by eligible patients are adjusted (discounted) based on the patient's ability to pay. (42 USC 254(k)(3)(E), (F), and (G); 42 CFR sections 51c.303(e), (f), and (g); and 42 CFR sections 56.303(e), (f), and (g)).

***Condition:***

ACCESS assigned one patient an incorrect sliding fee discount based on inaccurate family size and income.

***Questioned Costs:***

None.

***Context:***

The condition affected one of forty encounters selected for testing and resulted in an understatement of net patient service revenue of \$30 due to the incorrect assessment.

***Effect:***

Applicants assessed are not charged according to ACCESS' sliding fee scale and their ability to pay.

***Cause:***

Intake process inaccurately entered patient family size and income into billing software.

***Repeat Finding:***

Yes.

**ACCESS COMMUNITY HEALTH NETWORK AND AFFILIATE  
SCHEDULE OF FINDINGS, RESPONSES AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2019**

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***Section III – Findings and Questioned Costs – Major Federal Programs (Continued)***

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***Finding 2019-001 – Special Provisions (Continued)***

*Recommendation:*

Management should continue to refine and expand its internal audits of patient visits and hold additional trainings for front desk staff.

*Management's Response:*

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Action taken in response to finding: ACCESS has implemented a quarterly internal audit function to monitor and review patient visit documents as it relates to the sliding fee scale assessment. ACCESS has developed a mandatory training for all front desk staff, health center managers and regional managers regarding the correct way to assess patients for the sliding fee scale discount program.

Name(s) of the contact person(s) responsible for corrective action: Karen L. Wesley

Planned completion date for corrective action plan: All trainings are schedule to be completed by October 15, 2019. This training will become a part of the new hire front desk training; and the quarterly audits are ongoing.



## DEPARTMENT OF HEALTH AND HUMAN SERVICES

Access Community Health Network respectfully submits the following summary schedule of prior audit findings for the year ended June 30, 2019.

Audit period: July 1, 2018 – June 30, 2019

The findings from the prior audit's schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the prior year.

### Administrative Offices

600 W. Fulton Street  
2nd Floor  
Chicago, Illinois 60661  
phone: 312.526.2200  
www.achn.net

### Donna Simmons

Chairman

### Donna Thompson

Chief Executive Officer

## FINDINGS—FINANCIAL STATEMENT AUDIT

There were no financial statement findings in the prior year.

## FINDINGS— FEDERAL AWARD PROGRAMS AUDITS

### 2018 – 001 Special Provisions

**Condition:** ACCESS assigned one patient an incorrect sliding discount based on an inappropriately computed income level.

**Status:** See current year finding 2018-001.

**Reason for finding's recurrence:** ACCESS' front desk staff members are being trained on the proper way to assess patients for the sliding fee scale discount program. We believe these are isolated incidents of human error, but we have increase monitoring and education to ensure proper compliance.

**Corrective Action:** ACCESS has implemented a quarterly internal audit function to monitor and review patient visit documents as it relates to the sliding fee scale assessment. ACCESS has developed a mandatory training for all front desk staff, health center managers and regional managers regarding the correct way to assess patients for the sliding fee scale discount program.

If the U.S. Department of Health and Human Services, Health Resources and Services Administration has questions regarding this schedule, please call Karen L. Wesley, Director of Internal Controls and Fiscal Management at 312-526-2308.

## Health Resources and Services Administration

Access Community Health Network respectfully submits the following corrective action plan for the year ended June 30, 2019.

Audit period: July 01, 2018 – June 30, 2019

The findings from the schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

### **SECTION II – FINANCIAL STATEMENT FINDINGS**

#### **FINDINGS—FINANCIAL STATEMENT AUDIT**

There were no findings in the current year that require a corrective action plan.

### **SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

#### **FINDINGS—FEDERAL AWARD PROGRAMS AUDITS**

##### DEPARTMENT OF HEALTH AND HUMAN SERVICES

2019-001 Health Centers Cluster – CFDA No. 93.224 & 93.527

Recommendation: Management should continue to refine and expand its internal audits of patient visits.

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Action taken in response to finding: ACCESS has implemented a quarterly internal audit function to monitor and review patient visit documents as it relates to the sliding fee scale assessment. ACCESS has developed a mandatory training for all front desk staff, health center managers and regional managers regarding the correct way to assess patients for the sliding fee scale discount program.

Name(s) of the contact person(s) responsible for corrective action:  
Karen L. Wesley

Planned completion date for corrective action plan: All trainings are scheduled to be completed by October 15, 2019. This training will become a part of the new hire front desk training; and the quarterly audits are ongoing.

If there are any questions regarding this plan, please call Karen L. Wesley, Director of Internal Control and Fiscal Management at 312-526-2308.

#### **Administrative Offices**

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phone: 312.526.2200  
www.achn.net

#### **Donna Simmons**

Chairman

#### **Donna Thompson**

Chief Executive Officer