

Family  
Health  
Center



of Worcester

**AND AFFILIATE**

**COMBINING FINANCIAL STATEMENTS IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS AND  
UNIFORM GUIDANCE  
JUNE 30, 2019 AND 2018**

# FAMILY HEALTH CENTER OF WORCESTER, INC. AND AFFILIATE

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June 30, 2019 and 2018

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**Unmodified Opinion on Combining Financial Statements Accompanied  
by Other Information – Not-For-Profit Entity**

**Independent Auditor's Report**

To the Board of Directors of  
Family Health Center of Worcester, Inc. and Affiliate:

**Report on the Combining Financial Statements**

We have audited the accompanying combining financial statements of Family Health Center of Worcester, Inc. and Affiliate (Massachusetts corporations, not for profit) (collectively, the Agency) which comprise the combining statements of financial position as of June 30, 2019 and 2018, and the related combining statements of activities and changes in net assets, cash flows and functional expenses for the years then ended, and the related notes to the combining financial statements.

***Management's Responsibility for the Combining Financial Statements***

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

***Auditor's Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combining financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combining 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 combining 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 combining financial statements.

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

## **Opinion**

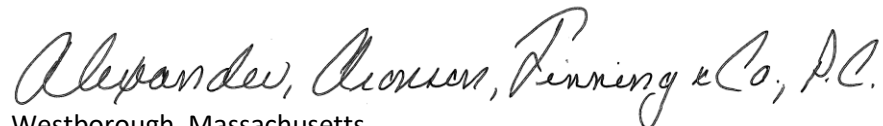
In our opinion, the combining financial statements referred to on page one present fairly, in all material respects, the combining financial position of Family Health Center of Worcester, Inc. and Affiliate as of June 30, 2019 and 2018, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

Our audits were conducted for the purpose of forming an opinion on the combining financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards for the year ended June 30, 2019, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the combining 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 combining financial statements. The information has been subjected to the auditing procedures applied in the audit of the combining financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combining financial statements or to the combining 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 combining 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 November 18, 2019, on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Agency's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance.



Westborough, Massachusetts  
November 18, 2019

**FAMILY HEALTH CENTER OF WORCESTER, INC. AND AFFILIATE**

Combining Statements of Financial Position  
June 30, 2019 and 2018

Assets	2019					2018				
	Family Health Center of Worcester, Inc.			Family Health Center Realty, Inc.	Total	Family Health Center of Worcester, Inc.			Family Health Center Realty, Inc.	Total
	Without Donor Restrictions	With Donor Restrictions	Total			Without Donor Restrictions	With Donor Restrictions	Total		
Current Assets:										
Cash and cash equivalents	\$ 1,729,801	\$ 386,256	\$ 2,116,057	\$ -	\$ 2,116,057	\$ 2,034,642	\$ 282,930	\$ 2,317,572	\$ -	\$ 2,317,572
Patient accounts receivable, net of reserve for doubtful accounts of approximately \$182,000 and \$110,000 at June 30, 2019 and 2018, respectively	2,709,017	-	2,709,017	-	2,709,017	2,527,385	-	2,527,385	-	2,527,385
Contracts, grants and other receivables	1,255,397	81,016	1,336,413	-	1,336,413	515,624	156,016	671,640	-	671,640
Pharmacy inventory	196,722	-	196,722	-	196,722	199,923	-	199,923	-	199,923
Prepaid expenses	149,608	-	149,608	-	149,608	133,989	-	133,989	-	133,989
Total current assets	6,040,545	467,272	6,507,817	-	6,507,817	5,411,563	438,946	5,850,509	-	5,850,509
Restricted Cash	76,203	-	76,203	166,343	242,546	-	-	-	220,274	220,274
Note Receivable	4,992,000	-	4,992,000	-	4,992,000	4,992,000	-	4,992,000	-	4,992,000
Property and Equipment, net of accumulated depreciation	919,078	-	919,078	3,727,525	4,646,603	981,627	-	981,627	4,209,024	5,190,651
Due (To) From Affiliate	279,560	-	279,560	(279,560)	-	245,351	-	245,351	(245,351)	-
Total assets	\$ 12,307,386	\$ 467,272	\$ 12,774,658	\$ 3,614,308	\$ 16,388,966	\$ 11,630,541	\$ 438,946	\$ 12,069,487	\$ 4,183,947	\$ 16,253,434
<b>Liabilities and Net Assets</b>										
Current Liabilities:										
Accounts payable	\$ 1,385,037	\$ -	\$ 1,385,037	\$ 676	\$ 1,385,713	\$ 983,408	\$ -	\$ 983,408	\$ 413	\$ 983,821
Accrued expenses	2,505,456	-	2,505,456	-	2,505,456	2,425,734	-	2,425,734	-	2,425,734
Total current liabilities	3,890,493	-	3,890,493	676	3,891,169	3,409,142	-	3,409,142	413	3,409,555
Long-Term Debt, net unamortized debt issuance costs	-	-	-	6,726,932	6,726,932	-	-	-	6,714,200	6,714,200
Total liabilities	3,890,493	-	3,890,493	6,727,608	10,618,101	3,409,142	-	3,409,142	6,714,613	10,123,755
Net Assets:										
Without donor restrictions:										
Operating	1,962,445	-	1,962,445	(280,236)	1,682,209	1,750,707	-	1,750,707	(245,764)	1,504,943
Board designated	363,551	-	363,551	-	363,551	377,849	-	377,849	-	377,849
Capital fund	179,819	-	179,819	-	179,819	119,216	-	119,216	-	119,216
Property and equipment	5,911,078	-	5,911,078	(2,833,064)	3,078,014	5,973,627	-	5,973,627	(2,284,902)	3,688,725
Total without donor restrictions	8,416,893	-	8,416,893	(3,113,300)	5,303,593	8,221,399	-	8,221,399	(2,530,666)	5,690,733
With donor restrictions	-	467,272	467,272	-	467,272	-	438,946	438,946	-	438,946
Total net assets	8,416,893	467,272	8,884,165	(3,113,300)	5,770,865	8,221,399	438,946	8,660,345	(2,530,666)	6,129,679
Total liabilities and net assets	\$ 12,307,386	\$ 467,272	\$ 12,774,658	\$ 3,614,308	\$ 16,388,966	\$ 11,630,541	\$ 438,946	\$ 12,069,487	\$ 4,183,947	\$ 16,253,434

The accompanying notes are an integral part of these combining statements.

**FAMILY HEALTH CENTER OF WORCESTER, INC. AND AFFILIATE**

Combining Statements of Activities and Changes in Net Assets  
For the Years Ended June 30, 2019 and 2018

	2019						2018					
	Family Health Center of Worcester, Inc.			Family Health Center Realty, Inc.	Eliminations	Total	Family Health Center of Worcester, Inc.			Family Health Center Realty, Inc.	Eliminations	Total
	Without Donor Restrictions	With Donor Restrictions	Total				Without Donor Restrictions	With Donor Restrictions	Total			
<b>Operating Revenues and Support:</b>												
Net patient service revenue	\$ 27,708,386	\$ -	\$ 27,708,386	\$ -	\$ -	\$ 27,708,386	\$ 24,772,173	\$ -	\$ 24,772,173	\$ -	\$ -	\$ 24,772,173
Grants and contracts	13,918,151	171,398	14,089,549	-	-	14,089,549	12,958,236	246,779	13,205,015	-	-	13,205,015
Donated goods and services	894,713	-	894,713	-	-	894,713	1,016,586	-	1,016,586	-	-	1,016,586
Performance and management fees	171,738	-	171,738	-	-	171,738	134,584	-	134,584	-	-	134,584
Special events	124,396	-	124,396	-	-	124,396	126,279	-	126,279	-	-	126,279
Contributions	49,649	-	49,649	-	-	49,649	49,366	-	49,366	-	-	49,366
Rental income	31,973	-	31,973	1,042,932	(1,042,932)	31,973	34,234	-	34,234	978,034	(978,034)	34,234
Net assets released from purpose restrictions	143,072	(143,072)	-	-	-	-	411,820	(411,820)	-	-	-	-
Total operating revenues and support	43,042,078	28,326	43,070,404	1,042,932	(1,042,932)	43,070,404	39,503,278	(165,041)	39,338,237	978,034	(978,034)	39,338,237
<b>Operating Expenses:</b>												
Program services	35,551,524	-	35,551,524	-	-	35,551,524	32,349,700	-	32,349,700	-	-	32,349,700
Support services	7,143,557	-	7,143,557	-	-	7,143,557	6,408,756	-	6,408,756	-	-	6,408,756
Family Health Center Realty, Inc.	-	-	-	1,082,269	(1,042,932)	39,337	-	-	-	1,016,697	(978,034)	38,663
Total operating expenses before depreciation	42,695,081	-	42,695,081	1,082,269	(1,042,932)	42,734,418	38,758,456	-	38,758,456	1,016,697	(978,034)	38,797,119
Depreciation	361,389	-	361,389	481,499	-	842,888	350,790	-	350,790	543,841	-	894,631
Total operating expenses	43,056,470	-	43,056,470	1,563,768	(1,042,932)	43,577,306	39,109,246	-	39,109,246	1,560,538	(978,034)	39,691,750
Changes in net assets from operations	(14,392)	28,326	13,934	(520,836)	-	(506,902)	394,032	(165,041)	228,991	(582,504)	-	(353,513)
<b>Other Revenues (Expenses):</b>												
Capital grants and contracts	153,945	-	153,945	-	-	153,945	53,072	-	53,072	-	-	53,072
Interest income	55,941	-	55,941	122	-	56,063	55,455	-	55,455	490	-	55,945
Management fees	-	-	-	(61,920)	-	(61,920)	-	-	-	(61,370)	-	(61,370)
Net assets released from capital restrictions	-	-	-	-	-	-	36,140	(36,140)	-	-	-	-
Total other revenues (expenses)	209,886	-	209,886	(61,798)	-	148,088	144,667	(36,140)	108,527	(60,880)	-	47,647
Changes in net assets	195,494	28,326	223,820	(582,634)	-	(358,814)	538,699	(201,181)	337,518	(643,384)	-	(305,866)
<b>Net Assets:</b>												
Beginning of year	8,221,399	438,946	8,660,345	(2,530,666)	-	6,129,679	7,682,700	640,127	8,322,827	(1,887,282)	-	6,435,545
End of year	\$ 8,416,893	\$ 467,272	\$ 8,884,165	\$ (3,113,300)	\$ -	\$ 5,770,865	\$ 8,221,399	\$ 438,946	\$ 8,660,345	\$ (2,530,666)	\$ -	\$ 6,129,679

**FAMILY HEALTH CENTER OF WORCESTER, INC. AND AFFILIATE**

Combining Statements of Cash Flows  
For the Years Ended June 30, 2019 and 2018

	2019			2018		
	Family Health Center of Worcester, Inc.	Family Health Center Realty, Inc.	Total	Family Health Center of Worcester, Inc.	Family Health Center Realty, Inc.	Total
<b>Cash Flows from Operating Activities:</b>						
Changes in net assets	\$ 223,820	\$ (582,634)	\$ (358,814)	\$ 337,518	\$ (643,384)	\$ (305,866)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:						
Imputed interest - debt issuance costs	-	12,732	12,732	-	12,732	12,732
Depreciation	361,389	481,499	842,888	350,790	543,841	894,631
Bad debt	631,796	-	631,796	547,219	-	547,219
Capital grants and contracts	(153,945)	-	(153,945)	(53,072)	-	(53,072)
Changes in operating assets and liabilities:						
Patient accounts receivable	(813,428)	-	(813,428)	(952,785)	-	(952,785)
Contracts, grants and other receivables	(664,773)	-	(664,773)	28,648	-	28,648
Pharmacy inventory	3,201	-	3,201	(2,314)	-	(2,314)
Prepaid expenses	(15,619)	-	(15,619)	14,377	-	14,377
Due to/from Affiliate	(34,209)	34,209	-	(31,812)	31,812	-
Accounts payable	401,629	263	401,892	(134,334)	413	(133,921)
Accrued expenses	79,722	-	79,722	(61,976)	-	(61,976)
Net cash provided by (used in) operating activities	19,583	(53,931)	(34,348)	42,259	(54,586)	(12,327)
<b>Cash Flows from Investing Activities:</b>						
Acquisition of property and equipment	(298,840)	-	(298,840)	(82,076)	-	(82,076)
Interest earned on restricted cash	-	(122)	(122)	-	(28)	(28)
Withdrawals from (deposits to) restricted cash	(76,203)	54,053	(22,150)	-	54,538	54,538
Net cash provided by (used in) investing activities	(375,043)	53,931	(321,112)	(82,076)	54,510	(27,566)
<b>Cash Flows from Financing Activities:</b>						
Payments on note payable to a bank	-	-	-	(165,809)	-	(165,809)
Capital grants and contracts	153,945	-	153,945	53,072	-	53,072
Net cash provided by (used in) financing activities	153,945	-	153,945	(112,737)	-	(112,737)
<b>Change in Cash and Cash Equivalents</b>	(201,515)	-	(201,515)	(152,554)	(76)	(152,630)
<b>Cash and Cash Equivalents:</b>						
Beginning of year	2,317,572	-	2,317,572	2,470,126	76	2,470,202
End of year	\$ 2,116,057	\$ -	\$ 2,116,057	\$ 2,317,572	\$ -	\$ 2,317,572
<b>Supplemental Disclosure of Cash Flow Information:</b>						
Cash paid for interest	\$ 32,305	\$ 49,931	\$ 82,236	\$ 38,592	\$ 49,931	\$ 88,523

The accompanying notes are an integral part of these combining statements.

FAMILY HEALTH CENTER OF WORCESTER, INC. AND AFFILIATE

Combining Statement of Functional Expenses  
 For the Year Ended June 30, 2019  
 (With Summarized Comparative Totals for the Year Ended June 30, 2018)

	2019														2018				
	Family Health Center of Worcester, Inc.																		
	Program Services							Support Services											
	Medical	Dental	Pharmacy	Radiology	Mental Health	Women, Infants and Children	School Based Health Center	Vision	Other Programs	Total Program Services	General and Administrative	Patient Support	Facilities	Total Support Services	Total Health Center Expenses	Family Health Center Realty, Inc.	Eliminations	Total Expenses	Total Expenses
<b>Operating Expenses:</b>																			
Personnel and related costs:																			
Salaries	\$ 11,208,437	\$ 2,241,135	\$ 911,647	\$ 201,164	\$ 724,855	\$ 951,684	\$ 1,483,226	\$ 567,690	\$ 2,313,604	\$ 20,603,442	\$ 1,331,187	\$ 1,461,638	\$ 125,059	\$ 2,917,884	\$ 23,521,326	\$ -	\$ -	\$ 23,521,326	\$ 22,057,504
Payroll taxes and fringe benefits	1,981,580	361,404	173,751	39,623	98,065	180,314	311,922	44,369	262,766	3,453,794	280,299	485,023	31,936	797,258	4,251,052	-	-	4,251,052	3,879,424
Contract labor	2,195,335	366,769	16,745	89,520	2,110	5,523	4,226	56,538	271,384	3,008,150	158,482	27,721	137,356	323,559	3,331,709	-	-	3,331,709	2,352,115
Total personnel and related costs	15,385,352	2,969,308	1,102,143	330,307	825,030	1,137,521	1,799,374	668,597	2,847,754	27,065,386	1,769,968	1,974,382	294,351	4,038,701	31,104,087	-	-	31,104,087	28,289,043
Medical supplies and services	774,575	254,015	5,028,268	5,828	16,846	578	12,775	16,153	8,831	6,117,869	-	147	234	381	6,118,250	-	-	6,118,250	5,583,724
Occupancy:																			
Rent	44,808	46,800	-	-	-	84,420	-	-	17,539	193,567	-	-	997,793	997,793	1,191,360	1,018,932	(1,018,932)	1,191,360	1,142,055
Housekeeping services	17,103	11,515	-	-	-	15,734	15,612	-	5,102	65,066	-	-	203,885	203,885	268,951	-	-	268,951	260,761
Repairs and maintenance	26,858	36,424	1,717	11,809	336	10,158	3,223	984	1,172	92,681	2,376	13,103	77,622	93,101	185,782	-	-	185,782	186,286
Utilities and storage	15,891	13,774	-	-	-	30,490	17,977	-	-	78,132	415	2,568	91,022	94,005	172,137	-	-	172,137	182,300
Property insurance	-	-	-	-	-	-	-	-	-	-	-	-	92,402	92,402	92,402	-	-	92,402	87,954
Total occupancy	104,660	108,513	1,717	11,809	336	140,802	36,812	984	23,813	429,446	2,791	15,671	1,462,724	1,481,186	1,910,632	1,018,932	(1,018,932)	1,910,632	1,859,356
Other:																			
Information systems	2,580	-	49,611	-	11,185	-	849	-	34,498	98,723	17,813	649,755	209	667,777	766,500	-	-	766,500	674,145
Bad debt	392,233	114,083	71,537	6,981	6,397	-	1,542	39,023	-	631,796	-	-	-	-	631,796	-	-	631,796	547,219
Professional fees	61,690	-	-	-	-	-	31,858	-	-	93,548	309,799	1,533	-	311,332	404,880	-	-	404,880	298,851
Personnel training and recruiting	83,936	5,853	2,095	-	41,746	7,518	15,290	-	13,359	169,797	98,814	8,309	1,744	108,867	278,664	-	-	278,664	133,331
Office and computer supplies	59,788	4,948	24,257	47,684	1,602	26,948	7,345	442	7,285	180,299	20,251	61,150	3,831	85,232	265,531	-	-	265,531	204,240
Dues and memberships	73,128	12,141	2,142	5,558	2,666	1,638	13,962	461	1,989	113,685	91,830	8,981	860	101,671	215,356	-	-	215,356	285,035
Equipment rental	84,872	8,050	51	2,368	20,234	-	26,102	2,227	2,356	146,260	19,857	38,574	24,120	82,551	228,811	-	(24,000)	204,811	206,586
Subcontract expense	47,999	-	-	-	-	-	-	-	132,955	180,954	-	-	-	-	180,954	-	-	180,954	165,894
Printing and postage	6,502	6,475	69	-	-	6,762	5,167	-	1,981	26,956	97,308	18,292	512	116,112	143,068	-	-	143,068	105,609
General insurance	95,758	-	-	-	-	-	-	-	-	95,758	15,921	-	-	15,921	111,679	-	-	111,679	105,812
Interest	-	-	-	-	-	-	-	-	-	-	32,305	-	-	32,305	32,305	62,663	-	94,968	101,255
Travel and conferences	19,207	1,310	886	-	5,512	5,067	9,370	-	7,262	48,614	23,494	13,233	1,667	38,394	87,008	-	-	87,008	35,335
Patient education	14,869	-	-	-	736	2,424	9,852	-	36,018	63,899	6,037	284	-	6,321	70,220	-	-	70,220	61,816
Miscellaneous	19,795	947	5,217	-	-	-	260	-	3,426	29,645	25,745	-	303	26,048	55,693	674	-	56,367	41,433
Marketing	-	1,547	-	-	-	15,510	-	-	2,310	19,367	27,658	-	-	27,658	47,025	-	-	47,025	54,971
Patient transportation	8,921	500	-	-	33	-	15,934	-	5,291	30,679	-	-	-	-	30,679	-	-	30,679	29,324
Telephone	386	-	-	-	-	5,560	2,232	-	665	8,843	786	-	2,314	3,100	11,943	-	-	11,943	14,140
Total other	971,664	155,854	155,865	62,591	90,111	71,427	139,763	42,153	249,395	1,938,823	787,618	800,111	35,560	1,623,289	3,562,112	63,337	(24,000)	3,601,449	3,064,996
Total operating expenses before depreciation and allocations	17,236,251	3,487,690	6,287,993	410,535	932,323	1,350,328	1,988,724	727,887	3,129,793	35,551,524	2,560,377	2,790,311	1,792,869	7,143,557	42,695,081	1,082,269	(1,042,932)	42,734,418	38,797,119
Depreciation	-	-	-	-	-	-	-	-	-	-	-	-	361,389	361,389	361,389	481,499	-	842,888	894,631
Total operating expenses before allocations	17,236,251	3,487,690	6,287,993	410,535	932,323	1,350,328	1,988,724	727,887	3,129,793	35,551,524	2,560,377	2,790,311	2,154,258	7,504,946	43,056,470	1,563,768	(1,042,932)	43,577,306	39,691,750
General and administrative allocation	1,346,067	272,371	491,061	32,061	72,810	105,454	155,308	56,844	244,421	2,776,397	(2,776,397)	-	-	(2,776,397)	-	-	-	-	-
Patient support allocation	1,738,942	626,636	-	198,180	209,047	-	176,401	50,187	-	2,999,393	-	(2,999,393)	-	(2,999,393)	-	-	-	-	-
Facilities allocation	960,967	179,792	88,597	56,544	37,599	124,639	135,025	48,131	97,862	1,729,156	216,020	209,082	(2,154,258)	(1,729,156)	-	-	-	-	-
Total operating expenses	\$ 21,282,227	\$ 4,566,489	\$ 6,867,651	\$ 697,320	\$ 1,251,779	\$ 1,580,421	\$ 2,455,458	\$ 883,049	\$ 3,472,076	\$ 43,056,470	\$ -	\$ -	\$ -	\$ -	\$ 43,056,470	\$ 1,563,768	\$ (1,042,932)	\$ 43,577,306	\$ 39,691,750



FAMILY HEALTH CENTER OF WORCESTER, INC. AND AFFILIATE

Combining Statement of Functional Expenses  
For the Year Ended June 30, 2018

	Family Health Center of Worcester, Inc.																	
	Program Services									Support Services				Total Health Center Expenses	Family Health Center Realty, Inc.	Eliminations	Total Expenses	
	Medical	Dental	Pharmacy	Radiology	Mental Health	Women, Infants and Children	School Based Health Center	Vision	Other Programs	Total Program Services	General and Administrative	Patient Support	Facilities					Total Support Services
<b>Operating Expenses:</b>																		
Personnel and related costs:																		
Salaries	\$ 11,061,762	\$ 2,139,494	\$ 885,909	\$ 150,675	\$ 613,701	\$ 985,974	\$ 1,361,980	\$ 706,876	\$ 1,398,797	\$ 19,305,168	\$ 1,093,178	\$ 1,544,932	\$ 114,226	\$ 2,752,336	\$ 22,057,504	\$ -	\$ -	\$ 22,057,504
Payroll taxes and fringe benefits	1,907,080	353,516	161,425	29,463	96,246	176,691	273,485	32,554	178,946	3,209,406	275,304	367,255	27,459	670,018	3,879,424	-	-	3,879,424
Contract labor	1,352,342	454,521	10,158	137,007	40,423	10,459	2,724	18,134	154,324	2,180,092	87,552	22,514	61,957	172,023	2,352,115	-	-	2,352,115
Total personnel and related costs	14,321,184	2,947,531	1,057,492	317,145	750,370	1,173,124	1,638,189	757,564	1,732,067	24,694,666	1,456,034	1,934,701	203,642	3,594,377	28,289,043	-	-	28,289,043
Medical supplies and services	627,503	262,188	4,591,999	4,535	22,004	-	9,364	33,112	31,905	5,582,610	-	76	1,038	1,114	5,583,724	-	-	5,583,724
Occupancy:																		
Rent	59,099	46,800	-	-	-	82,920	-	-	13,339	202,158	-	-	939,897	939,897	1,142,055	954,034	(954,034)	1,142,055
Housekeeping services	17,867	11,194	-	-	-	14,584	15,564	-	4,262	63,471	-	-	197,290	197,290	260,761	-	-	260,761
Repairs and maintenance	38,317	31,576	1,406	14,646	-	6,415	-	1,536	1,839	95,735	6,526	12,673	71,352	90,551	186,286	-	-	186,286
Utilities and storage	22,822	12,024	191	-	-	40,040	18,007	-	-	93,084	88	1,114	88,014	89,216	182,300	-	-	182,300
Property insurance	326	-	-	-	-	-	-	-	-	326	2,995	-	84,633	87,628	87,954	-	-	87,954
Total occupancy	138,431	101,594	1,597	14,646	-	143,959	33,571	1,536	19,440	454,774	9,609	13,787	1,381,186	1,404,582	1,859,356	954,034	(954,034)	1,859,356
Other:																		
Information systems	4,316	4,488	59,237	-	4,998	-	1,541	-	12,035	86,615	17,173	561,880	8,477	587,530	674,145	-	-	674,145
Bad debt	257,785	153,364	66,449	9,433	7,598	-	6,474	46,116	-	547,219	-	-	-	-	547,219	-	-	547,219
Professional fees	51,465	-	-	-	-	-	9,732	-	-	61,197	236,903	371	380	237,654	298,851	-	-	298,851
Personnel training and recruiting	61,849	4,767	-	-	5,993	3,027	6,427	-	6,776	88,839	38,986	5,081	425	44,492	133,331	-	-	133,331
Office and computer supplies	57,864	6,418	25,133	50,458	-	19,561	4,292	721	6,876	171,323	15,741	16,747	429	32,917	204,240	-	-	204,240
Dues and memberships	83,937	16,444	1,423	3,550	2,613	1,638	10,383	-	1,661	121,649	154,592	8,494	300	163,386	285,035	-	-	285,035
Equipment rental	40,105	6,965	1,004	1,941	6,731	230	51,527	1,044	30,919	140,466	19,273	46,847	24,000	90,120	230,586	-	(24,000)	206,586
Subcontract expense	8,000	-	-	-	-	-	-	-	157,894	165,894	-	-	-	-	165,894	-	-	165,894
Printing and postage	4,823	6,804	69	-	-	4,847	1,137	-	1,642	19,322	68,192	18,053	42	86,287	105,609	-	-	105,609
General insurance	74,373	-	-	-	-	-	-	-	102	74,475	31,337	-	-	31,337	105,812	-	-	105,812
Interest	-	-	-	-	-	-	-	-	-	-	38,592	-	-	38,592	38,592	62,663	-	101,255
Travel and conferences	6,987	1,500	-	-	166	4,461	893	-	1,838	15,845	14,232	4,773	485	19,490	35,335	-	-	35,335
Patient education	25,384	-	-	-	1,228	2,656	14,372	-	11,175	54,815	6,877	124	-	7,001	61,816	-	-	61,816
Miscellaneous	11,625	171	3,376	-	-	-	-	-	915	16,087	25,346	-	-	25,346	41,433	-	-	41,433
Marketing	1,660	1,000	-	-	-	11,160	-	-	900	14,720	38,418	-	1,833	40,251	54,971	-	-	54,971
Patient transportation	13,376	-	-	-	117	750	13,645	-	1,436	29,324	-	-	-	-	29,324	-	-	29,324
Telephone	1,733	-	-	-	-	5,145	2,162	-	820	9,860	1,668	584	2,028	4,280	14,140	-	-	14,140
Total other	705,282	201,921	156,691	65,382	29,444	53,475	122,585	47,881	234,989	1,617,650	707,330	662,954	38,399	1,408,683	3,026,333	62,663	(24,000)	3,064,996
Total operating expenses before depreciation and allocations	15,792,400	3,513,234	5,807,779	401,708	801,818	1,370,558	1,803,709	840,093	2,018,401	32,349,700	2,172,973	2,611,518	1,624,265	6,408,756	38,758,456	1,016,697	(978,034)	38,797,119
Depreciation	-	-	-	-	-	-	-	-	-	-	-	-	350,790	350,790	350,790	543,841	-	894,631
Total operating expenses before allocations	15,792,400	3,513,234	5,807,779	401,708	801,818	1,370,558	1,803,709	840,093	2,018,401	32,349,700	2,172,973	2,611,518	1,975,055	6,759,546	39,109,246	1,560,538	(978,034)	39,691,750
General and administrative allocation	1,157,481	257,497	425,672	29,443	58,768	100,453	132,200	61,573	147,936	2,371,023	(2,371,023)	-	-	(2,371,023)	-	-	-	-
Patient support allocation	1,648,684	576,497	-	165,915	207,252	-	102,179	102,680	-	2,803,207	-	(2,803,207)	-	(2,803,207)	-	-	-	-
Facilities allocation	881,026	164,836	81,227	51,841	34,472	114,271	123,793	44,128	89,722	1,585,316	198,050	191,689	(1,975,055)	(1,585,316)	-	-	-	-
Total operating expenses	\$ 19,479,591	\$ 4,512,064	\$ 6,314,678	\$ 648,907	\$ 1,102,310	\$ 1,585,282	\$ 2,161,881	\$ 1,048,474	\$ 2,256,059	\$ 39,109,246	\$ -	\$ -	\$ -	\$ -	\$ 39,109,246	\$ 1,560,538	\$ (978,034)	\$ 39,691,750

## **FAMILY HEALTH CENTER OF WORCESTER, INC. AND AFFILIATE**

Notes to Combining Financial Statements  
June 30, 2019 and 2018

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### **1. OPERATIONS AND NONPROFIT STATUS**

Family Health Center of Worcester, Inc. (the Health Center) was established in 1972 as a nonprofit organization that provides primary health care, mental health, and social services to residents of Worcester, Massachusetts and the surrounding communities.

Family Health Center Realty, Inc. (FHCR) is a Massachusetts nonprofit corporation established in December 2013 to benefit, perform the functions of, and carry out the purposes of the Health Center. FHCR is a qualified active low-income community business (QALICB), as defined in Section 45(d) of the Internal Revenue Code (IRC).

The Health Center and FHCR (collectively, the Agency) are exempt from Federal income taxes as organizations (not private foundations) formed for charitable purposes under Section 501(c)(3) of the IRC. The Health Center and FHCR are also exempt from state income taxes. Donors may deduct contributions made to the Health Center and FHCR in accordance with the IRC requirements.

#### **Principles of Combination**

The Health Center and FHCR are related by common management and Board of Directors. The activities of the Agency are reflected in the accompanying combining financial statements. All significant inter-company transactions and balances have been eliminated in the accompanying combining financial statements.

### **2. SIGNIFICANT ACCOUNTING POLICIES**

#### **Basis of Presentation**

The Agency prepares their combining financial statements in accordance with generally accepted accounting standards and principles (U.S. GAAP) established by the Financial Accounting Standards Board (FASB). References to U.S. GAAP in these notes are to the FASB Accounting Standards Codification (ASC).

#### **Adoption of New Accounting Standards**

During fiscal year 2019, the Agency adopted Accounting Standards Updated (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This ASU modified the current guidance over several criteria, of which the following affected the Agency's combining financial statements:

- Net assets are segregated into two categories, "with donor restrictions" and "without donor restrictions", as opposed to the previous requirement of three classes of net assets (see Note 3).
- Qualitative and quantitative information relating to management of liquidity and the availability of financial assets to cover short-term cash needs within one year from the combining statement of financial position date (see Note 16).
- A more detailed explanation of the methods used to allocate costs among program and supporting (general and administrative, facility, and patient services) functions has been included in the notes to the combining financial statements (see page 11).

The adoption of this ASU did not impact the Agency's net assets balance, changes in net assets, or cash flows for the year ended June 30, 2018. This ASU has been applied retrospectively to all periods presented. This ASU provides an option to omit the disclosures about liquidity and availability of resources for the fiscal year 2018 combining financial statements.

## FAMILY HEALTH CENTER OF WORCESTER, INC. AND AFFILIATE

Notes to Combining Financial Statements  
June 30, 2019 and 2018

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### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Cash and Cash Equivalents

For the purpose of the combining statements of cash flows, management considers all highly liquid investments with an initial maturity of three months or less to be cash and cash equivalents.

#### Patient Accounts Receivable and Reserve for Doubtful Accounts

Patient accounts receivable are stated at unpaid balances, less reserves for doubtful accounts and contractual allowances. The Agency provides for losses on patient accounts receivable using the allowance method. The allowance is based on experience, third-party contracts, and other circumstances which may affect the ability of patients to meet their obligations. Receivables are considered impaired if full payments are not received in accordance with the contractual terms. It is the Agency's policy to charge-off uncollectible patient accounts receivable when management determines the receivable will not be collected.

#### Contracts, Grants and Other Receivables

The Health Center receives grants from various donors. The allowance for doubtful accounts, if any, is based on management's best estimate of the amount of probable credit losses on grants receivable. There was no allowance as of June 30, 2019 and 2018.

#### Pharmacy Inventory

Pharmacy inventory is recorded at the lower of cost (as determined by the first-in, first-out (FIFO) method) or net realizable value and consists of pharmaceuticals and supplies on hand at the Health Center's pharmacy.

#### Property and Equipment and Depreciation

Purchased property and equipment are recorded at cost (see Note 6). Donated property and equipment are recorded at fair value at the time of donation. Renewals and betterments are capitalized, while repairs and maintenance are expensed as they are incurred.

Depreciation is computed using the straight-line method over the following estimated useful lives:

Leasehold improvements	5 - 30 years or life of lease
Equipment and furniture	3 - 10 years

#### Impairment

The Health Center accounts for the carrying value of its long-lived assets in accordance with the requirements of *Accounting for the Impairment or Disposal of Long-Lived Assets*. The carrying value is evaluated annually for impairment. No impairment loss was recognized in fiscal year 2019 or 2018.

## **FAMILY HEALTH CENTER OF WORCESTER, INC. AND AFFILIATE**

Notes to Combining Financial Statements  
June 30, 2019 and 2018

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### **2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **Fair Value Measurements**

The Agency follows the accounting and disclosure standards pertaining to ASC Topic, *Fair Value Measurements*, for qualifying assets and liabilities. Fair value is defined as the price that the Agency would receive upon selling an asset or pay to settle a liability in an orderly transaction between market participants.

The Agency uses a framework for measuring fair value that includes a hierarchy that categorizes and prioritizes the sources used to measure and disclose fair value. This hierarchy is broken down into three levels based on inputs that market participants would use in valuing the financial instruments based on market data obtained from sources independent of the Agency. Inputs refer broadly to the assumptions that market participants would use in pricing the financial instrument, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the financial instrument developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset developed based on the best information available.

The three-tier hierarchy of inputs is summarized in the three broad levels as follows:

- Level 1 - Inputs that reflect unadjusted quoted prices in active markets for identical assets at the measurement date.
- Level 2 - Inputs other than quoted prices that are observable for the asset either directly or indirectly, including inputs in markets that are not considered to be active.
- Level 3 - Inputs that are unobservable and which require significant judgment or estimation.

An asset or liability's level within the framework is based upon the lowest level of any input that is significant to the fair value measurement. All qualifying assets and liabilities are valued using Level 1 inputs.

#### **Combining Statements of Activities and Changes in Net Assets**

Transactions deemed by management to be ongoing, major, or central to the provision of program services are reported as operating revenues and support and operating expenses in the accompanying combining statements of activities and changes in net assets. Other revenues (expenses) include items related to property and equipment activity, including interest on the note receivable (see Note 5) and management fees (see Note 7).

#### **Revenue Recognition**

Patient service revenue is recorded as services are provided. The Health Center establishes fees for services to patients based upon the patient's ability to pay for these services. Net patient service revenue reflects the amounts to be collected after provisions for contractual allowances and free care. Contractual allowances are accrued on an estimated basis in the period the related services are rendered. Net patient service revenue is adjusted as required based on agreed upon rates and final settlements. In general, the Health Center is reimbursed from third-party payors based on negotiated rates, procedural fee schedules, and discounted charges. Contractual allowances were approximately \$10,894,000 and \$7,664,000 for the years ended June 30, 2019 and 2018, respectively.

## **FAMILY HEALTH CENTER OF WORCESTER, INC. AND AFFILIATE**

Notes to Combining Financial Statements  
June 30, 2019 and 2018

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### **2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **Revenue Recognition (Continued)**

The Health Center has a policy of providing free care services to patients who are unable to pay or those who may be underinsured. Such patients are identified based upon financial information obtained from the patient prior to services being rendered. The Health Center provided approximately \$2,653,000 and \$2,106,000 of free care during the years ended June 30, 2019 and 2018, respectively. The approximate cost of providing these services was \$2,476,000 and \$2,218,000 for the years ended June 30, 2019 and 2018, respectively. The cost of providing free care was calculated by multiplying the percentage of gross free care charges to gross patient charges by the total cost of providing patient services. Massachusetts law provides coverage for healthcare services via Health Safety Net (HSN). The Health Center billed HSN approximately \$1,923,000 and \$1,531,000 during the years ended June 30, 2019 and 2018, respectively, for free care services provided to eligible patients.

Contract revenue is recorded over the contract period as services are provided. Grants and contributions without donor restrictions are recorded when received or unconditionally pledged. Any cash received in excess of revenue recognized is recorded as deferred revenue.

Grants and contributions with donor restrictions are recorded as revenues and support and net assets with donor restrictions, if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the combining statements of activities and changes in net assets as net assets released from restrictions. Grants and contributions with donor restrictions received and satisfied in the same period are included in net assets without donor restrictions.

Pledges are recorded at their net present value when unconditionally committed and are included in contracts, grants and other receivables in the accompanying combining statements of financial position.

The Commonwealth of Massachusetts provides vouchers to participants of the Health Center's Women, Infants and Children (WIC) program. The value of these vouchers for fiscal years 2019 and 2018 was approximately \$3,245,000 and \$3,269,000, respectively. These amounts are not reflected in the accompanying combining financial statements.

Special event revenue and expenses are recorded as revenues and expenses without donor restrictions when revenues are received and expenses are incurred.

All other revenue is recorded when earned.

#### **Donated Goods and Services**

Volunteers and other organizations contribute goods and services to the Agency in support of various aspects of its programs. These goods and services are reflected in the accompanying combining financial statements based upon the estimated value assigned to them by the donating volunteers, agencies, or by management.

The Health Center received donated salaries of \$894,713 and \$1,016,586 for the years ended June 30, 2019 and 2018, respectively. These amounts are included in donated goods and services and salaries in the accompanying combining financial statements.

## **FAMILY HEALTH CENTER OF WORCESTER, INC. AND AFFILIATE**

Notes to Combining Financial Statements  
June 30, 2019 and 2018

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### **2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **Advertising**

The Agency expenses advertising costs as they are incurred, which are shown as marketing expense in the accompanying combining statements of functional expenses.

#### **Expense Allocation**

Expenses related directly to a program are distributed to that program, while other expenses are allocated to programs based upon management's estimate of the percentage attributable to each function.

Certain categories of expenses are attributable to more than one program or supporting function and are allocated on a reasonable basis that is consistently applied. The expenses that are allocated are salaries, payroll taxes and fringe benefits, which are allocated on the basis of estimates of time and effort; occupancy costs and depreciation, which are allocated on a square footage basis; and certain support services, which are allocated based on encounters by function.

#### **Estimates**

The preparation of combining financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the combining financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### **Income Taxes**

The Agency accounts for uncertainty in income taxes in accordance with ASC Topic, *Income Taxes*. This standard clarifies the accounting for uncertainty in tax positions and prescribes a recognition threshold and measurement attribute for the combining financial statements regarding a tax position taken or expected to be taken in a tax return. The Agency has determined that there are no uncertain tax positions which qualify for either recognition or disclosure in the combining financial statements at June 30, 2019 and 2018. The Agency's information returns are subject to examination by the Federal and state jurisdictions.

#### **Debt Issuance Costs**

The Agency incurred \$381,960 of debt issuance costs as a result of the long-term debt agreements (see Note 10). Debt issuance costs are amortized over the period the related obligation is outstanding using the straight-line method, which approximates the effective interest method. Annual amortization expense was \$12,732 for the years ended June 30, 2019 and 2018 (which is included in interest expense in the accompanying combining statements of functional expenses) and for the next five years.

#### **Subsequent Events**

Subsequent events have been evaluated through November 18, 2019, which is the date the combining financial statements were available to be issued. There were no events that met the criteria for recognition or disclosure in the accompanying combining financial statements.

**FAMILY HEALTH CENTER OF WORCESTER, INC. AND AFFILIATE**

Notes to Combining Financial Statements  
June 30, 2019 and 2018

**3. NET ASSETS**

**Net Assets Without Donor Restrictions**

Net assets without donor restrictions are those net resources that bear no external restrictions and are generally available for use by the Agency. The Agency has grouped its net assets without donor restrictions into the following categories:

*Operating net assets* represent funds available to carry on the operations of the Agency.

*Board designated net assets* bear no external restrictions, but have been designated by the Board of Directors for specific purposes as follows:

	<u>Building Expansion</u>	<u>Other Purposes</u>	<u>Total</u>
Board designated, June 30, 2017	\$ 258,482	\$ 332,671	\$ 591,153
Additions - deposits and interest	-	61,696	61,696
Releases - withdrawal	<u>-</u>	<u>(275,000)</u>	<u>(275,000)</u>
Board designated, June 30, 2018	258,482	119,367	377,849
Additions - deposits and interest	-	61,764	61,764
Releases - withdrawal	<u>-</u>	<u>(76,062)</u>	<u>(76,062)</u>
Board designated, June 30, 2019	<u>\$ 258,482</u>	<u>\$ 105,069</u>	<u>\$ 363,551</u>

The other purposes balances may only be used with the approval of the Board of Directors, and are restricted for future operating needs.

*Capital fund net assets* have been designated by the Board of Directors for capital purchases.

*Property and equipment net assets* reflect and account for the activities relating to the Agency's property and equipment, net of related debt and reserve account activity.

**Net Assets With Donor Restrictions**

The Agency receives contributions and grants which are designated by donors for specific purposes or time periods. These contributions are recorded as net assets with donor restrictions until they are expended for their designated purposes or as the time period lapses. Net assets with donor restrictions are restricted for the following at June 30:

	<u>2019</u>	<u>2018</u>
Purpose restrictions	\$ 425,424	\$ 397,098
Capital restrictions	<u>41,848</u>	<u>41,848</u>
	<u>\$ 467,272</u>	<u>\$ 438,946</u>

## **FAMILY HEALTH CENTER OF WORCESTER, INC. AND AFFILIATE**

Notes to Combining Financial Statements  
June 30, 2019 and 2018

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### **4. FUNDING**

The Agency receives a significant portion of its total operating revenues and support from the U.S. Department of Health and Human Services (HHS), Health Resources and Services Administration (HRSA) and the Commonwealth of Massachusetts, Department of Public Health. The amounts from HHS totaled approximately 13% of total operating revenues and support during both fiscal years 2019 and 2018. Payments to the Agency are subject to audit by the appropriate government agency. In the opinion of management, the results of such audits, if any, will not have a material effect on the combining financial position of the Agency as of June 30, 2019 and 2018, or on the combining changes in their net assets for the years then ended.

Charges made to most third party payors for patient services are periodically reviewed and adjusted based upon the submission of cost reports and possible subsequent audits. In the opinion of management, the effects of such determinations or adjustments, if any, will not have a material effect on the combining financial position of the Agency as of June 30, 2019 and 2018, or on the combining changes in their net assets for the years then ended.

### **5. NEW MARKETS TAX CREDIT TRANSACTION**

During fiscal year 2015, the Agency completed the rehabilitation and expansion of the Health Center's main facility (the Project). The Project cost approximately \$7.5 million to complete.

The Project was funded by New Markets Tax Credits (NMTC) funds from Chase Community Equity, LLC (Chase) and bridge financing from the Health Center. The tax credit equity was combined with proceeds from a leverage loan from the Health Center (see below) to fund Chase NMTC FHCW Investment Fund LLC (Investment Fund).

The NMTC program offers credits against Federal income taxes over a seven-year period (the compliance period) for Qualified Equity Investments (QEIs) in certified Community Development Entities (CDEs) pursuant to Section 45D(d) of the IRC. To claim the NMTC, the CDEs must use substantially all of the proceeds of the QEIs to make a loan and/or an equity investment, which are qualified low-income community investments (QLICI), as defined in Section 45D(d) of the IRC, to a QALICB.

The Investment Fund, using equity proceeds from Chase and loans from the Health Center, made QEIs into ESIC New Markets Partner XIV LP (ESIC). ESIC provided loans to FHCR (see Note 10).

#### **Note Receivable**

As part of funding the Project, the Health Center entered into a note receivable agreement with the Investment Fund using proceeds from the note from the Enterprise Community Loan Fund (One Day Loan and Bridge Loan). The note receivable of \$4,992,000 from the Investment Fund is due in quarterly interest-only installments, with an interest rate of 1%, beginning on March 10, 2014 through December 31, 2020. Beginning January 1, 2021, principal and interest will be amortized through December 31, 2037. The note is secured by a first priority interest in the Investment Fund's ownership percentage in the CDEs and all project leases, property, and equipment.

During fiscal years 2019 and 2018, the Health Center earned interest income on this note of \$49,920, which is included in interest income in the accompanying combining statements of activities and changes in net assets.



**FAMILY HEALTH CENTER OF WORCESTER, INC. AND AFFILIATE**Notes to Combining Financial Statements  
June 30, 2019 and 2018**5. NEW MARKETS TAX CREDIT TRANSACTION (Continued)****Put and Call Option**

The Health Center has granted Chase the option (the Put Option) to sell their entire membership interest in the Investment Fund to the Health Center for certain amounts defined in the agreements. The Put Option may be exercised by Chase at any time during the period commencing on the last day of the compliance period and ending ninety days after the put exercise date (the Put Option Period).

In the event that Chase does not exercise the Put Option during the Put Option Period, the Health Center has the right and option (the Call Option) to purchase the entire interest in the Investment Fund for certain amounts, as defined in the agreements, within ninety days commencing on the last day of the Put Option Period.

**6. PROPERTY AND EQUIPMENT**

Property and equipment consist of the following at June 30:

	<u>Health Center</u>		<u>FHCR</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Leasehold improvements	\$ 697,241	\$ 622,840	\$ 6,925,472	\$ 6,925,472
Equipment and furniture	<u>6,687,953</u>	<u>6,463,514</u>	<u>651,711</u>	<u>651,711</u>
	7,385,194	7,086,354	7,577,183	7,577,183
Less - accumulated depreciation	<u>6,466,116</u>	<u>6,104,727</u>	<u>3,849,658</u>	<u>3,368,159</u>
	<u>\$ 919,078</u>	<u>\$ 981,627</u>	<u>\$ 3,727,525</u>	<u>\$ 4,209,024</u>

**7. RESTRICTED CASH**

FHCR maintains the following restricted cash accounts:

**CDE Fee Reserve**

Pursuant to certain note payable agreements (see Note 10), FHCR was required to establish a CDE fee reserve account with an initial deposit of \$250,000, which will be used to provide for payment of certain fees and expenses incurred by ESIC. This account was funded at the close of the Project's construction financing. FHCR made an additional deposit of \$70,000 into this reserve during fiscal year 2015 from the proceeds of a note payable (see Note 10). FHCR is required to pay ESIC an annual asset management fee of \$40,000 through 2021 which is paid out of the CDE Fee Reserve. FHCR is also required to reimburse ESIC for operating expenses of approximately \$5,000 per year through 2021, which is paid out of operating cash.

**Chase Audit and Reimbursement Reserve**

Pursuant to certain note payable agreements (see Note 10), FHCR was required to establish an audit and reimbursement reserve account of \$145,000, which will be used to provide for payment of certain amounts representing reimbursement of certain fees and expenses incurred by ESIC. This account was funded at the close of the Project's construction financing. FHCR pays \$15,000 to ESIC annually from their reserve.

## FAMILY HEALTH CENTER OF WORCESTER, INC. AND AFFILIATE

Notes to Combining Financial Statements  
June 30, 2019 and 2018

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### 7. RESTRICTED CASH (Continued)

Restricted cash consists of the following reserves for FHCR at June 30:

	<u>2019</u>	<u>2018</u>
CDE Fee Reserve	\$ 103,102	\$ 142,033
Chase Audit and Reimbursement Reserve	<u>63,241</u>	<u>78,241</u>
	<u>\$ 166,343</u>	<u>\$ 220,274</u>

The Health Center holds restricted cash as required by the ACO (see Note 13).

### 8. LEASE AGREEMENTS

#### Facility

Effective December 2013, FHCR leases a facility from a hospital under an agreement that expires on December 31, 2043. FHCR is required to pay monthly rent based on an established percentage of the landlord's reasonable costs to operate and maintain this facility. This percentage ranges from 90% to 100% of the aforementioned costs. Monthly payments under the terms of the agreement ranged from \$82,849 and \$87,153 for fiscal year 2019 and \$76,157 and \$82,849 for fiscal year 2018. Under the terms of this agreement, the Agency is required to maintain certain insurance coverage. The lease contains a mutual option to extend the agreement for an additional twenty years. FHCR subleases this facility to the Health Center under the same terms as the original lease. All rental income and expenses related to this transaction are eliminated in the accompanying combining statements of activities and changes in net assets and functional expenses.

#### Satellite Clinics

The Health Center leases additional space for another satellite clinic under an agreement that expires in June 2021. Monthly payments under the terms of this agreement are \$4,100 per month through the end of the lease. The Health Center is responsible for its share of utilities.

The Health Center leased additional space for another satellite clinic under an agreement that expires in December 2019. Monthly payments under the terms of this agreement are \$3,400 per month through the end of the lease. The Health Center is responsible for its share of utilities.

#### Other Program Space

The Health Center rents space for a program under multiple lease agreements. Monthly rent payments under the first agreement were \$625 in fiscal years 2019 and 2018. This lease expires in June 2020. Monthly rent payments under the second agreement were \$250 in fiscal years 2019 and 2018. This lease expires in June 2021.

Monthly payments under the third agreement ranged from \$660 to \$740 in fiscal years 2019 and 2018. This lease expires on June 30, 2020. Monthly payments under the fourth agreement were \$885 per month. This lease expires on December 31, 2043.

The Health Center also leases space under an agreement for certain ancillary services through June 30, 2020. Monthly rent payments under the agreement were \$5,500 for fiscal years ended 2019 and 2018. The Health Center is also responsible for additional common area maintenance charges.

## FAMILY HEALTH CENTER OF WORCESTER, INC. AND AFFILIATE

Notes to Combining Financial Statements  
June 30, 2019 and 2018

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### 8. LEASE AGREEMENTS (Continued)

#### Equipment

The Health Center entered into an agreement with FHCRC during December 2013 to lease certain equipment. The lease requires quarterly installments of \$6,000 through December 2019.

Minimum lease payments over the next five years, excluding the lease for the main facility, are as follows:

<u>Fiscal Years</u>	<u>Operating Leases</u>	
	<u>Equipment</u>	<u>Facilities</u>
2020	\$ 12,000	\$ 165,699
2021	-	64,803
2022	-	11,097
2023	-	11,580
2024	-	5,790
Total minimum lease payments	<u>\$ 12,000</u>	<u>\$ 258,969</u>

The Agency's minimum lease payments under the lease for its main facility over the next five years are 100% of the lessor's costs.

#### Rental Income

Effective January 2016, the Health Center subleased a portion of the facility mentioned on page 15 to an independent clinical laboratory under a lease through January 2020. Monthly payments under the agreement were \$2,938 for the years ended June 30, 2019 and 2018.

### 9. NOTE PAYABLE TO A BANK

The Health Center has available up to \$2,000,000 under a line of credit agreement with a bank through December 2020. Borrowings under the agreement are due on demand and interest is payable monthly at the bank's prime rate (5.5% and 5.0% at June 30, 2019 and 2018, respectively), plus 0.5%. The interest rate will not be less than 4% per annum or more than the maximum rate allowed by applicable law as noted in the agreement. The line of credit is secured by substantially all assets of the Health Center. This agreement is subject to renewal annually. There was no amount outstanding as of June 30, 2019 or 2018. Total interest expense on this note was \$32,305 and \$38,592 for fiscal years 2019 and 2018, respectively, and is included in interest in the accompanying combining statements of functional expenses. As of June 30, 2019 and 2018, the Health Center was in compliance with the line of credit covenants.

**FAMILY HEALTH CENTER OF WORCESTER, INC. AND AFFILIATE**

Notes to Combining Financial Statements  
June 30, 2019 and 2018

**10. LONG-TERM DEBT AND DEBT ISSUANCE COSTS**

Notes payable for FHCR consists of the following:

	<u>2019</u>	<u>2018</u>
Note payable to ESIC, with an interest rate of .71%. Quarterly interest-only installments are due until May 31, 2021. Beginning June 1, 2021, quarterly principal and interest installments of \$59,455 will be due through December 31, 2043. The note is secured by all project leases, property and equipment, as well as the fund reserve and disbursement account. The note has certain covenants with which FHCR must comply.	\$ 4,992,000	\$ 4,992,000
Note payable to ESIC, with an interest rate of .71%. Quarterly interest-only installments are due until May 31, 2021. Beginning June 1, 2021, quarterly principal and interest installments of \$24,303 will be due through December 31, 2043. The note is secured by all project leases, property and equipment, as well as the fund reserve and disbursement account. The note has certain covenants with which FHCR must comply.	<u>2,040,500</u>	<u>2,040,500</u>
	<u>7,032,500</u>	<u>7,032,500</u>
Less - unamortized debt issuance costs	<u>305,568</u>	<u>318,300</u>
	<u>\$ 6,726,932</u>	<u>\$ 6,714,200</u>

During fiscal years 2019 and 2018, the Agency paid interest expense on these notes of \$49,931, which is included in interest expense in the accompanying combining statements of functional expenses.

Future principal payments on long-term debt are as follows:

<u>Fiscal Year</u>	<u>Principal Payments</u>
2020	\$ -
2021	\$ 71,402
2022	\$ 287,386
2023	\$ 289,431
2024	\$ 291,492
Thereafter	\$ 6,092,789

The FHCR notes payable have a covenant that requires FHCR to provide a copy of the Federal Form 990 to ESIC within 90 days of the fiscal year end. FHCR was not in compliance with this reporting covenant at June 30, 2019 and 2018, and received a waiver from ESIC.

**11. CONCENTRATIONS**

The Agency maintains its operating cash balances in Massachusetts banks. The Federal Deposit Insurance Corporation (FDIC) insures balances at each bank up to \$250,000. At times during the year, cash balances exceeded the insured amounts. The Agency has not experienced any losses in such accounts. The Agency believes it is not exposed to any significant credit risk on its operating cash balances.

**FAMILY HEALTH CENTER OF WORCESTER, INC. AND AFFILIATE**

Notes to Combining Financial Statements  
June 30, 2019 and 2018

**11. CONCENTRATIONS (Continued)**

The Health Center’s contracts, grants and other receivables at June 30, 2019 and 2018, were due from the following sources:

	<u>2019</u>	<u>2018</u>
Massachusetts Department of Public Health	37%	57%
Department of Health and Human Services	32%	-
Nonprofit organization C	17%	-
Nonprofit organization A	6%	12%
Nonprofit organization B	-	11%

The Health Center’s third-party revenues and patient accounts receivables at June 30, 2019 and 2018, consist of the following concentrations:

<u>Payor</u>	<u>2019</u>		<u>2018</u>	
	<u>Percentage of Net Patient Service Revenue</u>	<u>Percentage of Gross Accounts Receivable</u>	<u>Percentage of Net Patient Service Revenue</u>	<u>Percentage of Gross Accounts Receivable</u>
MassHealth	58%	59%	59%	58%
Medicare	17%	7%	16%	6%
HSN	7%	11%	6%	13%

**12. RETIREMENT PLAN**

The Health Center maintains an IRC Section 401(k) Retirement Plan (the Plan) covering all eligible employees, as defined in the Plan document. Employees may make contributions to the Plan up to the maximum allowed by statutory law. The Health Center has the right to make discretionary contributions to the Plan. The Health Center accrued safe harbor contributions of approximately \$634,000 and \$705,000 to the Plan during fiscal years 2019 and 2018, respectively, which are included in accrued expenses in the accompanying combining statements of financial position. The Health Center did not make any discretionary contributions during fiscal year 2019 or 2018.

**13. COMMITMENTS AND CONTINGENCIES**

The Agency, from time-to-time, is the defendant in lawsuits. It is management’s belief that the Agency will prevail in these lawsuits. Accordingly, no amounts have been reflected in the accompanying combining financial statements for any potential liability resulting from these lawsuits. The Agency maintains Board of Directors’ liability insurance as well as medical malpractice insurance (see Note 15).

The Health Center has joined Community Care Cooperative (C3), an Accountable Care Organization (ACO). C3 is a newly formed non-profit health care corporation organized to take responsibility for managing the cost and quality of health care for its members. During fiscal years 2018, the Health Center committed \$30,000 towards C3 as an initial contribution which is included in dues and membership expense in the accompanying combining statements of functional expenses (see Note 14). Additionally, under the ACO agreement, the Health Center was required to set aside reserves of \$76,203 at June 30, 2019, for potential liabilities owed to the Commonwealth of Massachusetts, which is represented as restricted cash in the accompanying combining statement of financial position. No such reserves were required as of June 30, 2018.

## **FAMILY HEALTH CENTER OF WORCESTER, INC. AND AFFILIATE**

Notes to Combining Financial Statements  
June 30, 2019 and 2018

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### **14. RELATED PARTY TRANSACTIONS**

The Health Center leases its facility and certain equipment from FHCR (see Note 8).

A member of the Health Center's Board of Directors is employed by an organization that provides legal services to the Agency. The Agency paid this organization \$7,391 and \$1,398 for the years ended June 30, 2019 and 2018, respectively.

A member of the Health Center's Board of Directors is employed by an organization that provides medical training and health education to the Agency. The Agency paid this organization \$6,260 and \$14,525 for the years ended June 30, 2019 and 2018, respectively, which is included in personnel training and recruiting expense in the accompanying combining statements of functional expenses.

A member of the Health Center's Board of Directors is employed by the hospital that owns the Agency's facility (see Note 8).

The above Board members abstain from discussions and do not vote on matters relating to their respective employers.

The Health Center's Chief Medical Officer is a member of the Board of Directors and the Agency's Chief Financial Officer is a member of the Finance Committee of C3 (see Note 13). Additionally, the Health Center received \$1,567,270 and \$1,576,936 in grants from C3 for the years ended June 30, 2019 and 2018, respectively, which is included in grants and contracts in the accompanying combining statements of activities and changes in net assets.

### **15. MEDICAL MALPRACTICE INSURANCE**

The healthcare industry is subject to voluminous and complex laws and regulations of Federal, state, and local governments. Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time. These laws and regulations include, but are not limited to, matters such as licensure, accreditation, government healthcare program participation requirements, reimbursement laws and regulations, anti-kickback and anti-referral laws, and false claims prohibitions.

The Health Center is insured for professional liability coverage through the Federal Bureau of Primary Health Care, known as the Federal Tort Claims Act (FTCA), in accordance with the Public Health Services Act. This coverage is provided to the Health Center through its Section 330 Community Health Center grant administered by HRSA. The coverage afforded the Health Center is comparable to an occurrence-based policy without a monetary cap. The coverage is applicable to the Health Center, its officers, Board members, employees, and contractors who are physicians or other licensed or certified health care practitioners.

## FAMILY HEALTH CENTER OF WORCESTER, INC. AND AFFILIATE

Notes to Combining Financial Statements  
June 30, 2019 and 2018

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### 16. LIQUIDITY

The financial assets available for use by the Agency within one year from the combining statement of financial position date as of June 30, 2019, is as follows:

Cash and cash equivalents	\$ 2,116,057
Patient accounts receivable, net	2,709,017
Contracts, grants and other receivables	<u>1,336,413</u>
Total financial assets	6,161,487
Less - financial assets with donor restrictions	467,272
Less - Board designated financial assets and capital fund	<u>543,370</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 5,150,845</u>

The Agency's financial assets are available for use to cover its obligations as they become due. As of June 30, 2019, the Agency has financial assets equal to approximately one and a half months of operating expenses. The Agency also has Board designated financial assets of \$543,370 as of June 30, 2019, which are available for use with Board approval. Additionally, in the event of an unanticipated liquidity need, management has available a \$2,000,000 revolving line of credit as discussed in Note 9.

### 17. RECLASSIFICATIONS

Certain amounts in the fiscal year 2018 combining financial statements have been reclassified to conform to the fiscal year 2019 presentation.

**FAMILY HEALTH CENTER OF WORCESTER, INC. AND AFFILIATE**

Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2019

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures	Amount Provided to Subrecipients
<b>U.S. Department of Health and Human Services:</b>				
Direct Programs:				
Health Center Program Cluster:				
Health Center Program (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care)	93.224	N/A	\$ 4,596,703	\$ -
Grants for New and Expanded Services under the Health Center Program	93.527	N/A	<u>619,614</u>	<u>-</u>
Total Health Center Program Cluster			<u>5,216,317</u>	<u>-</u>
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	93.918	N/A	<u>473,647</u>	<u>132,955</u>
Pass-through Commonwealth of Massachusetts, Department of Public Health:				
Refugee and Entrant Assistance State/Replacement Designee Administered Programs	93.566	INTF5189MM3501623086	88,104	-
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	INTF3121MM3W16001021	99,019	-
Coordinated Services and Access to Research for Women, Infants, Children, and Youth	93.153	INTF3712M03170421248	104,578	-
HIV Prevention Activities Health Department Based	93.940	INTF4944MM3181926020	125,628	-
Block Grants for Prevention and Treatment of Substance Abuse	93.959	INTF2351M03183626040	20,136	-
Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations	93.898	INTF3406MM3190428107 INTF3406MM3190428109	156,159	-
Family Planning Services	93.217	INTF3323MM3W19101078 INTF3323MM3W19146086	<u>84,593</u>	<u>-</u>
Total pass-through Commonwealth of Massachusetts, Department of Public Health			<u>678,217</u>	<u>-</u>
Total U.S. Department of Health and Human Services			<u>6,368,181</u>	<u>132,955</u>
<b>U.S. Department of Agriculture:</b>				
Pass-through Commonwealth of Massachusetts, Department of Public Health:				
WIC Special Supplemental Nutrition Program for Women, Infants, and Children - Food Vouchers	10.557	INTF3500J10200717294 *	3,245,280	-
WIC Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	INTF3502M03162726118	<u>1,023,235</u>	<u>-</u>
Total CFDA 10.557			<u>4,268,515</u>	<u>-</u>
Total pass-through Commonwealth of Massachusetts, Department of Public Health, Total U.S. Department of Agriculture			<u>4,268,515</u>	<u>-</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 10,636,696</u>	<u>\$ 132,955</u>



**FAMILY HEALTH CENTER OF WORCESTER, INC. AND AFFILIATE**

Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2019

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**Note 1.**      **Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards includes the Federal assistance activity of the Agency and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

**Note 2.**      \* This represents the WIC food voucher amount. For purposes of the accompanying combining financial statements, the related revenue and expense amounts have been shown net.

**Note 3.**      **Indirect Cost Rate**

The Agency has elected not to use the 10% de minimis cost rate for its Federal programs.

**Report on Internal Control Over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Combining Financial Statements Performed in Accordance  
With Government Auditing Standards**

Independent Auditor's Report

To the Board of Directors of  
Family Health Center of Worcester, Inc. and Affiliate:

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 combining financial statements of Family Health Center of Worcester, Inc. and Affiliate (collectively, the Agency), which comprise the combining statement of financial position as of June 30, 2019, and the related combining statements of activities and changes in net assets, cash flows and functional expenses for the year then ended, and the related notes to the combining financial statements, and have issued our report thereon dated November 18, 2019.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the combining financial statements, we considered the Agency'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 combining financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency'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 Agency's combining 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.

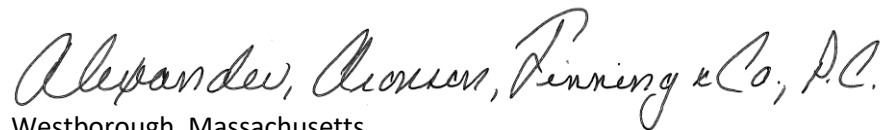
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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 Agency's combining 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 combining financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Agency'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 Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Westborough, Massachusetts  
November 18, 2019

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

Independent Auditor's Report

To the Board of Directors of  
Family Health Center of Worcester, Inc. and Affiliate:

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

We have audited Family Health Center of Worcester, Inc. and Affiliate's (collectively, the Agency) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Agency's Federal programs for the year ended June 30, 2019. The Agency's major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major Federal program. However, our audit does not provide a legal determination of the Agency's compliance.

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

In our opinion, the Agency 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.

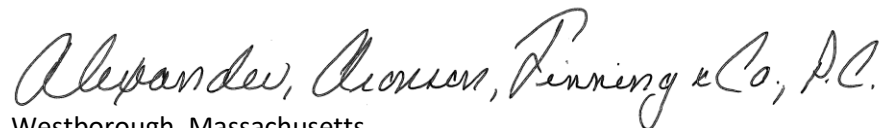
## Report on Internal Control Over Compliance

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

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

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

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



Westborough, Massachusetts  
November 18, 2019

**FAMILY HEALTH CENTER OF WORCESTER, INC. AND AFFILIATE**

Schedule of Findings and Questioned Costs  
June 30, 2019

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**1. SUMMARY OF AUDITOR’S RESULTS**

**Combining Financial Statements**

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

Is a “going concern” emphasis-of-matter paragraph included in the auditor’s report?             Yes        X   No

Internal control over financial reporting:

- Material weakness(es) identified?             Yes        X   No
- Significant deficiency(ies) identified?             Yes        X   None reported

Noncompliance material to combining 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?             Yes        X   None reported

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

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

Identification of the major Federal programs:

<u>Name of Federal Programs or Cluster</u>	<b>CFDA Number</b>
Health Center Program Cluster	93.224 93.527
Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations	93.898

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

Auditee qualified as low-risk auditee?        X   Yes             No

**FAMILY HEALTH CENTER OF WORCESTER, INC. AND AFFILIATE**

Schedule of Findings and Questioned Costs  
June 30, 2019

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**2. COMBINING FINANCIAL STATEMENT FINDINGS**

None

**3. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None