



Lynn Community Health, Inc. and Subsidiary

d/b/a Lynn Community Health Center

Consolidated Financial Statements,
Supplemental Schedule of Expenditures of
Federal Awards and Supplementary
Information

June 30, 2019 and 2018

Lynn Community Health, Inc. and Subsidiary
d/b/a Lynn Community Health Center

Consolidated Financial Statements, Supplemental Schedule of
Expenditures of Federal Awards and Supplementary Information
June 30, 2019 and 2018

Lynn Community Health, Inc. and Subsidiary
d/b/a Lynn Community Health Center

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Independent Auditor's Report

Board of Directors
Lynn Community Health, Inc. and Subsidiary
d/b/a Lynn Community Health Center
Lynn, Massachusetts

We have audited the accompanying consolidated financial statements of Lynn Community Health, Inc. and Subsidiary d/b/a Lynn Community Health Center (a nonprofit organization), which comprise the consolidated balance sheets as of June 30, 2019 and 2018, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the 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.

Auditor's 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 auditor's 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 Lynn Community Health, Inc. and Subsidiary d/b/a Lynn Community Health Center as of June 30, 2019 and 2018, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters- Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The additional information, as described in the table of contents, is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and results of operations of the individual entities, and is not a required part of the basic consolidated financial statements. The accompanying schedule of expenditures of federal awards, 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 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 December 13, 2019, on our consideration of Lynn Community Health Center, Inc. and Subsidiary d/b/a Lynn Community Health Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lynn Community Health Center, Inc. and Subsidiary d/b/a Lynn Community Health Center's internal control over financial reporting and compliance.

BDO USA, LLP

December 13, 2019

Consolidated Financial Statements

Lynn Community Health, Inc. and Subsidiary
d/b/a Lynn Community Health Center

Consolidated Balance Sheets

<i>June 30,</i>	2019	2018	<i>June 30,</i>	2019	2018
Assets			Liabilities and Net Assets		
Current Assets:			Current Liabilities:		
Cash and cash equivalents	\$ 10,669,559	\$ 4,377,099	Current portion of long-term debt	\$ 162,600	\$ 157,455
Investments	779,499	727,035	Accounts payable and accrued expense	2,929,381	1,113,045
Patient accounts receivable, net	6,335,707	7,420,891	Accrued salaries and wages payable	3,234,706	3,418,492
Grants and contracts receivable	758,212	1,564,035	Deferred revenue	-	368,809
Other accounts receivable	3,418,645	2,662,446	Total Current Liabilities	6,326,687	5,057,801
Prepaid expenses and other current assets	488,324	1,065,616	Long-term Liabilities:		
Current portion of assets whose use is limited or restricted	1,857,180	1,920,773	Long-term debt, net	5,384,155	5,546,576
Total Current Assets	24,307,126	19,737,895	Total Liabilities	11,710,842	10,604,377
Assets Whose Use is Limited or Restricted:			Commitments and Contingencies		
Board designated	980,738	914,489	Net Assets:		
Donor restricted	314,086	313,076	Without donor restrictions	31,383,594	29,336,927
Indenture agreement	502,818	476,785	With donor restrictions	2,171,266	2,233,849
Total Assets Whose Use is Limited or Restricted	1,797,642	1,704,350	Total Net Assets	33,554,860	31,570,776
Property and Equipment, net	19,160,934	20,732,908	Total Liabilities and Net Assets	\$ 45,265,702	\$ 42,175,153
Total Assets	\$ 45,265,702	\$ 42,175,153			

See accompanying notes to consolidated financial statements.

Lynn Community Health, Inc. and Subsidiary
d/b/a Lynn Community Health Center

Consolidated Statements of Operations

<i>Years ended June 30,</i>	2019	2018
Revenue and Other Support:		
Patient service revenue, net of contractual allowances	\$ 51,883,749	\$ 49,695,759
Provision for uncollectible accounts	(1,356,789)	(899,263)
Net patient service revenue	50,526,960	48,796,496
PACE personnel reimbursement	10,136,529	9,890,205
Grant and contract revenue	18,063,527	16,747,438
Premium revenue	1,708,394	1,201,099
Net assets released from restrictions used in operations	1,722,583	4,196,711
Other revenue	176,470	124,894
Total Revenue and Other Support	82,334,463	80,956,843
Expenses:		
Salaries and wages	43,248,789	43,317,953
Employee benefits	13,844,513	14,894,079
Medical expenses	13,861,281	14,859,148
Occupancy	4,735,970	4,541,118
Administrative and general supplies and expense	1,365,775	1,078,739
Purchased services	1,331,149	1,563,837
Transportation	86,905	99,716
Depreciation and amortization	1,609,430	1,878,757
Interest expense	199,885	346,528
Insurance	331,666	285,871
Total Expenses	80,615,363	82,865,746
Income (Loss) from Operations	1,719,100	(1,908,903)
Non-operating Gains:		
Investment income	55,123	56,211
Contributions	163,464	193,312
Forgiveness of debt income	-	2,580,800
Realized gain on sale of investments	71,837	71,596
Total Non-operating Gains	290,424	2,901,919
Excess of Revenue, Other Support and Gains Over Expenses	2,009,524	993,016
Net Assets Released from Restriction for Capital Expenditures	-	25,000
Capital Grant	-	1,646,666
Unrealized Gain on Investments	37,143	18,742
Increase in Net Assets Without Donor Restrictions	\$ 2,046,667	\$ 2,683,424

See accompanying notes to consolidated financial statements.

Lynn Community Health, Inc. and Subsidiary
d/b/a Lynn Community Health Center

Consolidated Statements of Changes in Net Assets

<i>Years ended June 30, 2019 and 2018</i>	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Net Assets, July 1, 2017	\$ 26,653,503	\$ 3,217,967	\$ 29,871,470
Excess of revenue, other support and gains over expenses	993,016	-	993,016
Net assets released from restriction for capital expenditures	25,000	(25,000)	-
Capital grant	1,646,666	-	1,646,666
Unrealized gain on investments	18,742	-	18,742
Grants and contributions	-	2,057,996	2,057,996
Net assets released from restrictions used in operations	-	(3,017,114)	(3,017,114)
Change in net assets	2,683,424	(984,118)	1,699,306
Net Assets, June 30, 2018	29,336,927	2,233,849	31,570,776
Excess of revenue, other support and gains over expenses	2,009,524	-	2,009,524
Unrealized gain on investments	37,143	-	37,143
Grants and contributions	-	1,660,000	1,660,000
Net assets released from restrictions used in operations	-	(1,722,583)	(1,722,583)
Change in net assets	2,046,667	(62,583)	1,984,084
Net Assets, June 30, 2019	\$ 31,383,594	\$ 2,171,266	\$ 33,554,860

See accompanying notes to consolidated financial statements.

Lynn Community Health, Inc. and Subsidiary
d/b/a Lynn Community Health Center

Consolidated Statements of Cash Flows

<i>Years ended June 30,</i>	2019	2018
Cash Flows from Operating Activities:		
Change in net assets	\$ 1,984,084	\$ 1,699,306
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by (used in) operating activities:		
Depreciation and amortization	1,609,430	1,878,757
Amortization of financing fees	-	140,098
Provision for uncollectible accounts	1,356,789	899,263
Capital grants	-	(1,646,666)
Net realized and unrealized (gains) losses on investments and assets whose use is limited or restricted	(108,980)	(90,338)
Forgiveness of debt income	-	(2,580,800)
Increase (decrease) in cash resulting from a change in:		
Patient accounts receivable	(271,605)	(2,134,480)
Grants and contracts receivable	805,823	289,850
Other receivables	(756,199)	8,354,041
Prepaid expenses and other current assets	577,292	23,313
Accounts payable and accrued expenses	1,816,336	(369,848)
Accrued salaries and wages payable	(183,786)	62,137
Deferred revenue	(368,809)	368,809
Net Cash and Cash Equivalents Provided by Operating Activities	6,460,375	6,893,442
Cash Flows from Investing Activities:		
Purchases of property and equipment	(37,456)	(1,386,935)
Increase (decrease) in assets whose use is limited or restricted	(29,699)	914,748
Sales of investments	56,516	45,514
Net Cash and Cash Equivalents Used in Investing Activities	(10,639)	(426,673)
Cash Flows from Financing Activities:		
Capital grants	-	1,646,666
Principal payments on long-term debt	(157,276)	(8,955,990)
Net Cash and Cash Equivalents Used in Financing Activities	(157,276)	(7,309,324)
Increase (Decrease) in Cash and Cash Equivalents	6,292,460	(842,555)
Cash and Cash Equivalents, beginning of year	4,377,099	5,219,654
Cash and Cash Equivalents, end of year	\$ 10,669,559	\$ 4,377,099
Supplemental Disclosure of Cash Flow Information:		
Cash Paid for Interest, net of amount capitalized	\$ 199,885	\$ 206,430

See accompanying notes to consolidated financial statements.

Lynn Community Health, Inc. and Subsidiary d/b/a Lynn Community Health Center

Notes to the Consolidated Financial Statements

1. Nature of the Organization

Lynn Community Health, Inc. (the "Health Center" or "Center") is a not-for-profit corporation organized in January 1973 to provide comprehensive outpatient health care services to residents of the City of Lynn, Massachusetts, and surrounding areas. A substantial portion of the Health Center's contract, grant, and patient service revenues are funded by federal and state governmental agencies.

Lynn Community Health Center Building Corporation ("Building Corporation") is a not-for-profit corporation organized in June 2010 to promote the development and construction of the new health center. The Health Center is the sole member of the Building Corporation.

2. Summary of Significant Accounting Policies

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Health Center and Building Corporation. For reporting purposes, the Health Center and Building Corporation are, together herein, referred to as the "Organization" in the accompanying consolidated financial statements. Significant intercompany transactions and accounts have been eliminated from the consolidated financial statements.

Basis of Presentation

The accompanying consolidated financial statements have been prepared on the accrual basis and conform to accounting principles generally accepted in the United States of America ("US GAAP"), as applicable to not-for-profit organizations. In the consolidated statements of financial position, assets and liabilities are presented in the order of liquidity or conversion to cash and their maturity resulting in the use of cash.

Financial Statement Presentation

Net assets are classified into assets with donor restrictions, and assets without donor restrictions, when appropriate, to properly disclose the nature and amount of significant resources that have been restricted in accordance with specified objectives. The assets, liabilities, and net assets of the Organization are reported as follows:

Net assets without donor restrictions: represent amounts not restricted for identified purposes by donors or grantors. These amounts are available to be used by the Board of Directors for the general purpose of the Organization.

Net assets with donor restrictions: represent amounts whose use by the Organization has been limited by donors or grantors to a specific period or purpose.

Fair Value of Financial Instruments

The Organization determines the fair value of financial instruments and includes such information in the notes to the consolidated financial statements when the fair value is materially different than the carrying amount of these financial instruments.

Lynn Community Health, Inc. and Subsidiary
d/b/a Lynn Community Health Center

Notes to the Consolidated Financial Statements

Cash and Cash Equivalents

For purposes of the consolidated statements of cash flows, the Organization considers cash and cash equivalents to include all highly liquid investments with an original maturity of 90 days or less.

Investments

The Organization records investments in securities at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Investment income (including realized gains and losses on investments, interest, and dividends) is reported as an increase to net assets without donor restrictions or net assets with donor restrictions depending upon the existence or absence of donor restrictions. Unrealized gains and losses on investments are excluded from the excess of revenue, other support, and gains over expenses, and reported as other changes in net assets.

Investments, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility risks. Therefore, it is reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the consolidated balance sheets and statements of operations.

Assets Whose Use Is Limited or Restricted

Assets whose use is limited or restricted include assets set aside by the Board of Directors over which the board retains control and may, at its discretion, use for various purposes; assets specified by donors or grantors for specific purposes; and assets held under an indenture agreement.

Patient Accounts Receivable

Accounts receivable are recorded at the reimbursable or contracted amount and do not bear interest. Accounts receivable consist primarily of patient accounts receivable from third-party payors and grants and contracts receivable from state and local governments.

Allowance for Doubtful Accounts

Accounts receivable is reduced by an allowance for doubtful accounts. In evaluating the collectability of accounts receivable, the Center analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for bad debts. Management regularly reviews data about the major payor sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts. For receivables associated with services provided to patients who have third-party coverage, the Center analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for bad debts, if necessary. For receivables associated with self-pay patients, the Center records a provision for uncollectible accounts in the period of service on the basis of its past experience, which indicates that certain patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates and the amounts actually collected after all reasonable collection efforts have been exhausted is directly charged to the patient account.

Lynn Community Health, Inc. and Subsidiary
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Notes to the Consolidated Financial Statements

Inventory

Inventory (included with prepaid expenses and other current assets) includes pharmaceutical and central supplies, is stated at lower of cost or market, and is determined based on the first in, first out method.

Property and Equipment, Net

Property and equipment, net are recorded at cost or, if donated, at the fair market value at the date of receipt. Depreciation is recorded using the straight-line method over the estimated useful asset lives. Equipment under capital lease obligation is amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. Such amortization is included in depreciation and amortization in the consolidated financial statements.

Impairment of Long-Lived Assets

Financial Accounting Standards Board ("FASB") Accounting Standard Codification ("ASC") 360-10-35, *Accounting for the Impairment or Disposal of Long-Lived Assets*, requires the Organization to review long-lived assets, such as property and equipment or intangible assets, for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be fully recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized in the amount by which the carrying amount of the asset exceeds the fair value of the asset. As of June 30, 2019 and 2018, the Organization did not recognize any impairment.

Net Patient Service Revenue

The Center recognizes patient service revenue associated with services provided to patients who have third-party payor coverage on the basis of contractual rates for the services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Under the terms of various agreements, regulations, and statutes, certain elements of third-party reimbursements to the Center are subject to negotiation, audit, and/or final determination by third-party payors. Retroactive adjustments are accrued on an estimated basis in the period related services are rendered and adjusted in future periods as final settlements are determined. For uninsured patients that do not qualify for charity care, the Center recognizes revenue on the basis of its standard rates for services provided (or on the basis of discounted rates, if negotiated or provided by policy). On the basis of historical experience, a significant portion of the Center's uninsured patients will be unable or unwilling to pay for the services provided. Thus, the Center records a significant provision for bad debts related to uninsured patients in the period the services are provided.

Grant and Contract Revenue

Grant and contract revenue are reported in accordance with the provisions of the applicable contract or grant agreement. The majority of the grants and contracts received by the Organization are subject to possible audit by the grantor agency or governmental regulatory agency overseeing the contract award. These contracts generally provide for payment to the Organization based on cost reimbursement or fixed fee per unit of service.

Lynn Community Health, Inc. and Subsidiary
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Notes to the Consolidated Financial Statements

Premium Revenue

The Center participates in managed care contracts whereby the Center is eligible to share in risk savings and incentive payments. Such amounts are recognized as premium revenue in the consolidated statements of operations.

Charity Care

The Organization provides charity care to patients who meet certain criteria under its charity care policy, without charge or at amounts less than its established rates. Because the Organization does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. The Organization includes in revenue its reimbursement from the Massachusetts Health Safety Net Trust ("HSN") for services provided under its charity care policy.

Gifts, Bequests and Contributions

The Center recognizes contributions received, including pledges, as revenues in the period received at their fair value. Gifts of cash or other support are reported as restricted 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 consolidated statements of operations as net assets released from restrictions. Donor restricted contributions whose restrictions are met in the same operating period are presented as unrestricted support. Contributions in the form of property are recorded at the fair market value on the date the property is received.

Consolidated Statement of Operations

For purposes of display, transactions deemed by management to be ongoing, major, or central to the provision of health care and related services are reported as revenue and expenses. Peripheral or incidental transactions are reported as non-operating gains and losses.

Use of Estimates

The preparation of consolidated financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Performance Indicator

The consolidated statements of operations include the excess (deficit) of revenue, other support and gains over expenses. Changes in net assets without donor restrictions which are excluded from the excess (deficit) of revenue, other support and gains over expenses, consistent with industry practice, include grants and donations used to purchase long-lived assets and unrealized gains and losses on investments.

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Notes to the Consolidated Financial Statements

Tax Status

The Center and the Building Corporation are incorporated under Section 501(c)(3) of the Internal Revenue Code (the "Code") and, accordingly, are exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. The Center and the Building Corporation are classified as public charities. The Organization annually evaluates its tax status and tax positions taken with respect to its operations and financial position.

Under ASC 740, an organization must recognize the financial statement effects of a tax position taken for tax return purposes when it is more likely than not that the position will not be sustained upon examination by a taxing authority. The Organization does not believe it has taken any material uncertain tax positions, and, accordingly, it has not recorded any liability for unrecognized tax benefits. The Organization has filed for and received income tax exemptions in the jurisdictions where it is required to do so. Additionally, the Organization has filed IRS Form 990 information returns, as required, and all other applicable returns in jurisdictions where so required. For the years ended June 30, 2019 and 2018, there were no interest or penalties recorded or included in the consolidated statements of operations.

Recently Adopted Accounting Pronouncements

Financial Statements for Not-for-Profit Entities (Topic 958)

On August 18, 2016, FASB issued Accounting Standards Update ("ASU") 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities, (Topic 958)*. The ASU makes targeted improvements to the not-for-profit financial reporting model and enhances disclosures. A second phase of the project will address more controversial not-for-profit specific areas and potentially, more far reaching changes that could be driven by the financial performance reporting project for business entities currently on the FASB's research agenda. The ASU makes several improvements to current reporting requirements. The major changes include: (a) eliminates the distinction between resources with permanent restrictions and those with temporary restrictions, (b) requires disclosure of quantitative and qualitative information about how the Organization manages its liquid resources to meet cash needs, (c) requires disclosure on the methods used to allocate costs among program and support functions, and (d) requires reporting of all expenses by their natural classification and functional classification. The Organization has adopted ASU 2016-14, which is reflected in these consolidated financial statements.

Accounting Pronouncements Issued but Not Yet Adopted

Revenue from Contracts with Customers (Topic 606)

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which is a comprehensive new revenue recognition standard that will supersede existing revenue recognition guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The FASB issued ASU 2015-14, which deferred the effective date for nonpublic entities until annual periods beginning after December 15, 2018. Earlier adoption is permitted subject to certain limitations. The amendments in this update are required to be applied retrospectively to each prior reporting period presented or with the cumulative effect being recognized at the date of initial

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Notes to the Consolidated Financial Statements

application. Management is currently evaluating the effect the provisions of this ASU will have on the consolidated financial statements.

Statement of Cash Flows (Topic 230)

In August 2016, the FASB issued ASU No. 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments (a consensus of the Emerging Issues Task Force)*. The guidance clarifies how entities should classify certain cash receipts and cash payments on the statement of cash flows. The guidance also clarifies how the predominance principle should be applied when cash receipts and cash payments have aspects of more than one class of cash flows. The guidance is effective for private companies for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. Early adoption is permitted. Entities will have to apply the guidance retrospectively. Management is currently evaluating the effect the provisions of this ASU will have on the consolidated financial statements.

Leases (Topic 842)

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements for lessees and lessors. The new standard applies a right-of-use ("ROU") model that requires, for all leases with a lease term of more than 12 months, an asset representing its right to use the underlying asset for the lease term and a liability to make lease payments to be recorded. The ASU is effective for the Organization's fiscal years beginning after December 15, 2020, with early adoption permitted. Management is currently evaluating the effect the provisions of this ASU will have on the financial statements.

Subsequent Events

The Organization has evaluated subsequent events through December 13, 2019, which is the date the consolidated financial statements were available for issuance.

3. Liquidity and Availability of Resources

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

<i>June 30,</i>	2019	2018
Cash	\$ 10,669,559	\$ 4,377,099
Investments	779,499	727,035
Patient accounts receivable, net	6,335,707	7,420,891
Other accounts receivable	3,418,645	2,662,446
Financial Assets Available to Meet General Expenditures		
 Within One Year	\$ 21,203,410	\$ 15,187,471

The Organization maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

Lynn Community Health, Inc. and Subsidiary
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Notes to the Consolidated Financial Statements

4. Concentration of Credit Risk

The Organization has a potential concentration of credit risk in that it maintains deposits with financial institutions in excess of amounts insured by the Federal Deposit Insurance Corporation ("FDIC"). The maximum deposit insurance amount is \$250,000, which is applied per depositor, per insured bank for each account ownership category. As of June 30, 2019 and 2018, the Organization had \$1,515,922 and \$547,083, respectively, in excess of FDIC limits. These financial institutions have strong credit ratings and management believes that credit risk related to these accounts is minimal.

Financial instruments that potentially subject the Organization to a concentration of credit risk are patient accounts receivable, cash and cash equivalents, and other interest-bearing investments. The Organization invests all available cash in money market securities of various banks, commercial paper of domestic companies with high credit ratings, equity securities, and securities backed by the United States Government. The Organization, by policy, limits the amount of credit exposure to any one institution.

The Center grants credit, without collateral, to their patients, many of whom are local residents and are insured under third-party payor agreements. The mix of accounts receivable, net of contractual allowances, from patients and third-party payors was as follows as of June 30:

	2019	2018
Medicaid	49%	52%
Commercial and other	33%	33%
Medicare	12%	10%
Self-pay	6%	5%
Total	100%	100%

A significant portion of the accounts receivable from commercial and other is derived from Blue Cross Blue Shield of Massachusetts. Although management expects the amounts recorded as net accounts receivable at June 30, 2019, to be collectible, this concentration of credit risk is expected to continue in the near term.

The methodology and assumptions utilized by management to estimate the allowance for doubtful accounts have not changed significantly from the prior year. As of June 30, 2019 and 2018, the Center's allowance for doubtful accounts was approximately \$874,000 and \$2,082,000, respectively.

5. Charity Care

As a community provider of health care services, the Center maintains programs to promote the overall well-being of the community in which it serves. These include community outreach programs, health clinics, and the provision of primary care services. These services are available to all individuals, regardless of their ability to pay. Those unable to pay for the care they receive are eligible to benefit from the Center's free care policy. Such individuals complete a standard form to request the granting of free care based upon their inability to pay for services.

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Notes to the Consolidated Financial Statements

The Center maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges for services and supplies furnished under its charity care policy, the estimated cost of those services and supplies, and patient service statistics. Total charity care charges for the years ended June 30, 2019 and 2018, amounted to approximately \$9,204,000 and \$9,143,000, respectively.

The costs to provide charity care, determined using a ratio of cost to charges, were approximately \$7,555,000 and \$8,608,000 for the years ended June 30, 2019 and 2018, respectively.

In accordance with the Commonwealth of Massachusetts' Health Safety Net guidelines, the Center maintains records to identify and monitor the volume of patients to whom it provides free care. These records include completed applications for eligible patients and the dates and amounts for all charges furnished under the Center's free care policies. HSN reimburses providers according to a claims methodology based on established rates per visit. Such amounts received from HSN are included in net patient service revenue and totaled approximately \$6,624,000 and \$8,110,000 for the years ended June 30, 2019 and 2018, respectively.

6. Surplus Revenue Retention

The Operational Services Division of the Commonwealth of Massachusetts (the "Commonwealth") has promulgated regulations requiring that all not-for-profit entities engaged in the provision of health and social service programs by contract with state agencies be subject to a revenue retention policy. Under this policy, any surplus generated from contracts with the Commonwealth, which exceeds 20% of the current year's Commonwealth revenues, becomes a liability to the Commonwealth. Additionally, the Commonwealth required that providers take steps to segregate state attributed surpluses which fall below 20% as a segregated account, which is presented in net assets without donor restrictions

As of June 30, 2019, the Organization does not have a surplus over the Commonwealth's revenue retention threshold.

7. Property and Equipment, Net

Property and equipment, net were as follows at June 30:

	2019	2018
Buildings and improvements	\$ 24,671,613	\$ 24,938,727
Equipment	6,044,115	6,705,313
Construction in progress	1,689,486	1,689,486
Land	253,000	253,000
Motor vehicles	21,034	35,814
Total	33,679,248	33,622,340
Accumulated depreciation	(13,518,314)	(12,889,432)
Property and Equipment, net	\$ 19,160,934	\$ 20,732,908

Lynn Community Health, Inc. and Subsidiary
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Notes to the Consolidated Financial Statements

8. Investments and Assets Whose Use is Limited or Restricted

Investments and assets whose use is limited or restricted consisted of the following at June 30:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 2,674,084	\$ 2,710,634
Equity securities	966,945	946,369
Fixed income securities	719,561	645,586
Money market funds	73,731	49,569
Total Investments and Assets Whose Use is Limited or Restricted	\$ 4,434,321	\$ 4,352,158

Investments and assets whose use is limited or restricted, as reported in the consolidated balance sheets, consisted of the following at June 30:

	<u>2019</u>	<u>2018</u>
Board-designated	\$ 980,738	\$ 914,489
Bond sinking fund	502,818	476,785
Donor restricted, net of current portion	314,086	313,076
	<u>1,797,642</u>	<u>1,704,350</u>
Short-term investments	779,499	727,035
Donor restricted, current portion	1,857,180	1,920,773
	<u>2,636,679</u>	<u>2,647,808</u>
Total Investments and Assets Whose Use is Limited or Restricted	\$ 4,434,321	\$ 4,352,158

Investments are recorded at fair value and consisted of the following at June 30:

	<u>2019</u>	<u>2018</u>
Equity securities	\$ 966,945	\$ 946,369
Fixed income securities	719,561	645,586
Money market	73,731	49,569
Total	\$ 1,760,237	\$ 1,641,524

Lynn Community Health, Inc. and Subsidiary
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Notes to the Consolidated Financial Statements

Investments are reported on the consolidated balance sheets as follows at June 30:

	2019	2018
Assets whose use is limited - Board designated	\$ 980,738	\$ 914,489
Investments	779,499	727,035
Total	\$ 1,760,237	\$ 1,641,524

9. Fair Value Measurements

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy under Financial Accounting Standards Board *Accounting Standards Codification* are described as follows:

Level 1	Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.
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Level 2	Inputs to the valuation methodology include:
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- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3	Inputs to the valuation methodology are unobservable and significant to the fair value measurement.
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The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for investments measured at fair value:

Money Market Funds

Valued at the net asset value ("NAV") of shares held by the Organization at year-end.

Equity Securities and Fixed Income Securities

Valued at the closing price reported in the active market in which the individual security is traded.

Lynn Community Health, Inc. and Subsidiary
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Notes to the Consolidated Financial Statements

The following table sets forth by level, within the fair value hierarchy, the Organization's investments at fair value as of June 30, 2019:

	Level 1	Level 2	Level 3	Total
Money market funds	\$ 73,731	\$ -	\$ -	\$ 73,731
Equity Securities	966,945	-	-	966,945
Fixed income	719,561	-	-	719,561
Total Investments	\$ 1,760,237	\$ -	\$ -	\$ 1,760,237

The following table sets forth by level, within the fair value hierarchy, the Organization's investments at fair value as of June 30, 2018:

	Level 1	Level 2	Level 3	Total
Money market funds	\$ 49,569	\$ -	\$ -	\$ 49,569
Equity securities	946,369	-	-	946,369
Fixed income	645,586	-	-	645,586
Total Investments	\$ 1,641,524	\$ -	\$ -	\$ 1,641,524

Unrealized losses at June 30, 2019, are shown below. None of the losses are considered other than temporary.

	Time Period in Loss Position				Total	
	Less than 12 Months		Greater than 12 Months		Unrealized	
	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Loss	Fair Value
Equity securities	\$ 5,368	\$ 30,927	\$ 5,055	\$ 19,886	\$ 10,423	\$ 50,814
Fixed income securities	306	87,655	331	59,982	637	147,637
	\$ 5,674	\$ 118,582	\$ 5,386	\$ 79,868	\$ 11,060	\$ 198,451

Unrealized losses at June 30, 2018, are shown below. None of the losses are considered other than temporary.

	Time Period in Loss Position				Total	
	Less than 12 Months		Greater than 12 Months		Unrealized	
	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Loss	Fair Value
Equity securities	\$ 9,782	\$ 137,424	\$ 3,192	\$ 11,730	\$ 12,974	\$ 149,154
Fixed income securities	7,886	450,072	4,827	163,385	12,713	613,457
	\$ 17,668	\$ 587,496	\$ 8,019	\$ 175,115	\$ 25,687	\$ 762,611

Lynn Community Health, Inc. and Subsidiary
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Notes to the Consolidated Financial Statements

10. Endowments

The Center's endowment includes funds designated by the Board of Directors to function as endowments. As required by generally accepted accounting principles ("GAAP"), net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

To satisfy its long-term rate of return objectives, the Center relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends).

Under the policy of the Center, the endowment assets are invested to maximize the return on assets, while avoiding undue risk. The Center invests in money market funds, equity securities, and fixed income securities to achieve its long-term return objectives within limited risk constraints. Actual returns in any year may vary from budgeted amounts due to market fluctuations.

Changes in board designated endowment assets were as follows for the years ended June 30:

	2019	2018
Endowment Assets, beginning of year	\$ 914,489	\$ 845,119
Investment Return:		
Investment income	23,611	21,818
Realized and unrealized gains on investments, net	51,321	55,943
Fees	(8,683)	(8,391)
Total Investment Return	66,249	69,370
Endowment Assets, end of year	\$ 980,738	\$ 914,489

11. Long-term Debt

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

	2019	2018
Massachusetts Development Finance Agency (MDFA)		
Series 2010 Bonds	\$ 5,546,755	\$ 5,704,031
Less current portion	162,600	157,455
Long-term Debt, net of current maturities	\$ 5,384,155	\$ 5,546,576

In July 2010, the Center entered into an agreement with Cambridge Savings Bank and the Massachusetts Development Finance Agency ("MDFA") to issue \$6,500,000 of Massachusetts Development Finance Agency Revenue Bonds, Lynn Community Health Center, Series 2010 ("Series 2010 Bonds") to refinance its existing 2005 Series A & B MDFA bonds. In January 2017, the bonds

Lynn Community Health, Inc. and Subsidiary
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Notes to the Consolidated Financial Statements

were refinanced. Under the terms of the refinanced loan and trust agreement (the "Agreement") between the Center, MDFA, and Cambridge Savings Bank, as trustee, the Center is required to make monthly payments to the trustee in amounts sufficient to pay the scheduled principal and interest through maturity in 2032. The bonds bear interest at a rate of 3.50% per annum. The agreement also contains various financial and reporting covenants which management believes will not adversely affect operations.

Aggregate annual maturities of long-term debt are as follows:

Years ending June 30,

2020	\$	162,600
2021		168,999
2022		175,096
2023		181,410
2024		187,490
Thereafter		4,671,160
		\$ 5,546,755

12. Note Payable, Line of Credit

The Center maintains a \$1,200,000 line of credit agreement with Cambridge Savings Bank. Borrowings under the agreement are due on demand, and interest is payable monthly at the bank's prime rate, which was 6% at June 30, 2019. The line of credit is secured by assignment of the Center's contracts. As of June 30, 2019, no borrowings were outstanding under this agreement. The agreement also contains various financial and reporting covenants which management believes will not adversely affect operations.

13. Net Patient Service Revenue

Net patient service revenue consisted of the following as of June 30:

	2019	2018
Gross Patient Service Revenue	\$ 77,684,601	\$ 70,346,634
Less: contractual allowances and rate adjustments	(25,800,852)	(20,650,875)
	51,883,749	49,695,759
Less: Provision for uncollectible accounts	(1,356,789)	(899,263)
Net Patient Service Revenue	\$ 50,526,960	\$ 48,796,496

Patient service revenue, net of contractual allowances and discounts (but before the provision for uncollectible accounts), recognized for the years ended June 30, 2019 and 2018, is as follows for uninsured patients who do not qualify for charity care and patients who have third-party coverage.

Lynn Community Health, Inc. and Subsidiary
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Notes to the Consolidated Financial Statements

	Third-party Payors	Self-Pay	Total
Patient Service Revenue, net of contractual allowance and discounts:			
June 30, 2019	\$ 49,494,237	\$ 2,389,512	\$ 51,883,749
June 30, 2018	\$ 47,309,200	\$ 2,386,559	\$ 49,695,759

14. Third-Party Reimbursement

The Center maintains agreements with the Centers for Medicare and Medicaid Services ("CMS") (under the Medicare program) and the Commonwealth of Massachusetts (under the Medicaid program) and various commercial insurance carriers, health maintenance organizations, and provider organizations. These agreements govern payment for services rendered to subscribers and beneficiaries covered by these programs. Certain of these agreements require the Center to file annual cost reports that summarize actual and allowable cost and charge data.

The Medicare program of the CMS pays the Center under the payment guidelines established for Federally Qualified Health Centers ("FQHCs"). Under this methodology, the Center is paid the lesser of its allowable cost per visit or a payment limit per visit that is established annually by CMS.

The Medicaid program of the Commonwealth of Massachusetts reimburses the Center on a fee-for-service basis for routine services provided. For the majority of services it provides, the Center is reimbursed the lesser of its actual charges or the fee-schedule amounts for such services.

In general, the Center is reimbursed from other third-party payors based on negotiated rates, procedural fee schedules, and discounted charges.

15. Net Assets with Donor Restrictions

Net assets with donor restrictions were available for the following purposes at June 30:

	2019	2018
Program services	\$ 574,550	\$ 657,229
Capital acquisitions	1,596,716	1,576,620
Total Net Assets with Donor Restrictions	\$ 2,171,266	\$ 2,233,849

Net assets with donor restrictions were released for the following purposes for the years ended June 30:

	2019	2018
Program services	\$ 1,722,583	\$ 4,196,711
Capital acquisitions	-	25,000
Total Net Assets with Donor Restrictions Released	\$ 1,722,583	\$ 4,221,711

Lynn Community Health, Inc. and Subsidiary
d/b/a Lynn Community Health Center

Notes to the Consolidated Financial Statements

16. Related-Party Transactions

Element Care, Inc. (formerly The Elder Service Plan of the North Shore, Inc.), a nonprofit organization affiliated with the Health Center, requires the Executive Director and three additional individuals to be chosen by the Health Center's board to serve as board members of Element Care, Inc. This represents 50% of Element Care Inc.'s board, a non-controlling interest. As of July 1, 2012, the Health Center updated its scope of service with the Department of Health and Human Services - Human Resources and Services Administration ("HRSA") to include the six North Shore PACE sites participating in the Elder Service Plan as a department of the Health Center. As a result of the HRSA Scope of Service update, clinical services related to the PACE sites are recorded on the Health Center's financial statements for the years ended June 30, 2019 and 2018. As of June 30, 2019 and 2018, the Health Center was reimbursed for the personnel costs of Element Care, Inc. in the amount of \$10,136,529 and \$9,890,205, respectively.

17. Affiliation Agreements

The Health Center entered into an affiliation agreement with a not-for-profit health care organization in September 2002. The Health Center and the other organization collaborate in certain activities to increase access to primary care services in the West Lynn area and to improve the clinical integration of services offered by the Health Center and affiliates. As a part of this agreement, the Health Center is receiving a grant of up to \$5,024,000 over a five-year period. The grant consists of up to \$1,179,000 for space support as defined by the agreement and \$3,845,000 for program support. Additional space support grants will be made available for a second five-year period subject to certain conditions. During fiscal year 2014, the agreement was extended through September 2016 for a total grant of \$13,522,000. The agreement was extended through September 2019.

As of June 30, 2019 and 2018, the Health Center has cumulatively received and expended \$16,682,154 and \$15,614,727, respectively. The remaining balance of the grant is conditional upon the Health Center achieving certain milestones and is, therefore, not reflected in the accompanying consolidated financial statements at June 30, 2019 and 2018.

18. Retirement Plan

The Health Center offers all employees the opportunity to participate in a 403(b) plan through either Putnam or Fidelity Investments. This is an employee only contribution plan, and investments are controlled by the individual participant. Employees are eligible immediately upon employment.

19. Medical Malpractice Insurance

The Center is insured for professional liability coverage through the Federal Bureau of Primary Health Care in accordance with the Public Health Service Act. This coverage is provided to the Center through its Section 330 Community Health Center Grant administered by the Health Resources Services Administration of the Department of Health and Human Services. The coverage afforded the Center is comparable to an occurrence-based policy without a monetary cap. The coverage is applicable to the Center, its officers, board members, employees, contracted physicians, and other licensed or certified health care practitioners.

Lynn Community Health, Inc. and Subsidiary
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Notes to the Consolidated Financial Statements

20. Commitments and Contingencies

The health care industry is subject to numerous laws and regulations of federal, state, and local governments. Government activity is ongoing with respect to investigations and allegations concerning possible violations by health care providers of fraud and abuse statutes and regulations, which could result in the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Compliance with such laws and regulations can be subject to future government review and interpretations, as well as regulatory actions unknown or unasserted at this time. The Health Insurance Portability and Accountability Act ("HIPAA") assures health insurance portability, reduces healthcare fraud and abuse, guarantees security and privacy of health information, and enforces standards for health information. The Health Information Technology for Economic and Clinical Health Act ("HITECH Act") expanded upon HIPAA in a number of ways, including establishing notification requirements for certain breaches of protected health information. The Center may be subject to significant fines and penalties if found not to be compliant with these state or federal provisions. The Patient Protection and Affordable Care Act ("PPACA") is substantially reforming the United States health care system. The legislation impacts multiple aspects of the health care system, including many provisions that change payments from Medicare, Medicaid, and insurance companies. However the PPACA may be repealed and replaced, or significantly modified, under the current administration. The potential outcome of any changes to the PPACA is unknown at this time and could have a material impact on the Center. Management believes that the Organization is in substantial compliance with current laws and regulations.

Claims and legal actions are brought against the Organization during the normal course of business. Management has taken the necessary steps to mitigate potential losses by obtaining insurance coverage and engaging legal counsel. In the opinion of management, no claims or legal actions have been asserted against the Center which, individually or in the aggregate, will be in excess of its insurance coverage.

On April 9, 2015, the Center entered into a conditional community benefit grant agreement (the "Agreement") with two non-profit healthcare corporations to facilitate the purchase of a practice management software system for \$1,600,000. The Agreement stipulates that the Center must meet and maintain certain performance objectives over a five-year vesting period. For each year the Center meets and maintains the performance objectives, it will vest \$320,000 of the agreement. If the Center is unable at any time during the five-year vesting period to maintain the agreement, the non-vested portion would need to be repaid in the form of a five-year loan. The Center's non-vested commitment was \$320,000 as of June 30, 2019. Management is monitoring all aspects of the agreement and does not believe it is or will be in breach of the Agreement.

21. Functional Expenses

The consolidated financial statements report certain categories of expenses that are attributable to more than one program or supporting function of the Organization. Those expenses include employee benefits, medical expenses, occupancy, administrative and general supplies and expenses, transportation, and insurance. Employee benefits and insurance expenses are allocated based on the proportion of full-time employee equivalents time spent supporting each functional area. Medical expenses and transportation expenses are allocated based on the total encounters per functional area. Administrative and general supplies and expenses that are allocated, are allocated based on total direct program expenses. Occupancy expenses are allocated based on square footage. The majority of the expenses are direct program expenses and are not allocated and are reported as expenses of those functional areas.

**Lynn Community Health, Inc. and Subsidiary
d/b/a Lynn Community Health Center**

Notes to the Consolidated Financial Statements

The functional classification of expenses for the Organization was as follows for the year ended June 30, 2019:

	Medical	Dental	Behavioral Health	SBHC	Vision	PACE	Other	Program Total
Salaries and wages	\$ 16,821,890	\$ 3,062,388	\$ 6,380,166	\$ 3,327,945	\$ 323,554	\$ 4,813,400	\$ 3,633,217	\$ 38,362,560
Employee Benefits	3,366,158	715,719	1,795,145	428,879	92,793	5,323,130	962,711	12,684,535
Medical Expenses	2,120,722	755,179	162,343	1,697	120,453	-	10,685,688	13,846,082
Occupancy	1,304,433	144,436	407,989	148,119	131,130	-	339,586	2,475,683
Administrative and general supplies and expenses	187,889	52,332	119,079	32,346	11,067	-	78,067	480,780
Purchased services	67,055	1,302	52,673	-	442,234	-	303,107	866,371
Transportation	12,188	3,062	8,637	2,684	1,312	-	35,788	63,671
Depreciation and amortization	912,512	2,266	66,652	55,787	20,926	-	14,093	1,072,236
Interest expense	-	-	-	-	-	-	-	-
Insurance	105,168	16,933	58,367	7,590	2,067	-	22,839	212,964
Grand Total Expenses	\$ 24,898,015	\$ 4,753,617	\$ 9,051,051	\$ 4,005,047	\$ 1,145,526	\$ 10,136,530	\$ 16,075,096	\$ 70,064,882

	A&G	Fundraising	Total
Salaries and wages	\$ 4,886,229	\$ -	\$ 43,248,789
Employee Benefits	1,159,978	-	13,844,513
Medical Expenses	15,199	-	13,861,281
Occupancy	2,260,287	-	4,735,970
Administrative and general supplies and expenses	884,995	-	1,365,775
Purchased services	464,778	-	1,331,149
Transportation	23,234	-	86,905
Depreciation and amortization	537,194	-	1,609,430
Interest expense	199,885	-	199,885
Insurance	118,702	-	331,666
Grand Total Expenses	\$ 10,550,481	\$ -	\$ 80,615,363

The functional classification of expenses for the Organization was as follows for the year ended June 30, 2018:

	Medical	Dental	Behavioral Health	SBHC	Vision	PACE	Other	Program Total
Salaries and wages	\$ 16,867,503	\$ 2,901,583	\$ 7,573,976	\$ 3,028,199	\$ 329,986	\$ 4,135,250	\$ 3,696,272	\$ 38,532,769
Employee Benefits	3,524,301	715,039	1,956,433	402,468	95,214	5,745,809	1,103,695	13,542,959
Medical Expenses	2,316,180	687,910	183,675	2,201	152,156	-	11,495,657	14,837,779
Occupancy	940,079	121,934	380,162	85,424	67,269	-	266,700	1,861,568
Administrative and general supplies and expenses	306,925	47,447	142,504	54,004	15,221	-	80,229	646,330
Purchased services	388,286	-	31,315	-	508,582	-	133,295	1,061,478
Transportation	16,626	9,617	17,208	2,037	1,376	-	35,463	82,327
Depreciation and amortization	982,874	-	154,306	71,958	33,086	-	27,366	1,269,590
Interest expense	-	-	-	-	-	-	-	-
Insurance	85,139	13,194	46,865	5,664	1,582	-	20,115	172,559
Grand Total Expenses	\$ 25,427,913	\$ 4,496,724	\$ 10,486,444	\$ 3,651,955	1,204,472	\$ 9,881,059	\$ 16,858,792	\$ 72,007,359

Lynn Community Health, Inc. and Subsidiary
d/b/a Lynn Community Health Center

Notes to the Consolidated Financial Statements

	A&G	Fundraising	Total
Salaries and wages	\$ 4,785,184	\$ -	\$ 43,317,953
Employee Benefits	1,351,120	-	14,894,079
Medical Expenses	21,369	-	14,859,148
Occupancy	2,679,550	-	4,541,118
Administrative and general supplies and expenses	432,409	-	1,078,739
Purchased services	502,359	-	1,563,837
Transportation	17,389	-	99,716
Depreciation and amortization	609,167	-	1,878,757
Interest expense	346,528	-	346,528
Insurance	113,312	-	285,871
Grand Total Expenses	\$ 10,858,387	\$ -	\$ 82,865,746

22. Operating Leases

The Center leases various property under non-cancelable operating leases expiring at different times through 2025, with monthly payments ranging from \$700 to \$17,148. During the years ended June 30, 2019 and 2018, the Center incurred rent expense of \$818,519 and \$760,243, respectively. The following are the minimum future lease payments due at June 30:

Years ending June 30,

2020	\$363,516
2021	358,893
2022	363,346
2023	349,956
2024	333,142
	\$1,768,853

Included in the lease expense total above is the value of property provided to the Center as in-kind contributions. The Center recognizes contribution revenue for certain goods and services received at the fair value of those goods and services. The value of the in-kind contributions was \$120,770 for each of the years ended June 30, 2019 and 2018, and is included in the other revenue on the consolidated statements of operations.

23. Health Insurance

The Organization is self-insured for employer-provided health insurance effective December 1, 2015. The Organization has recorded a liability for estimated incurred but not reported ("IBNR") claims in the amount of \$445,000 and \$200,000 at June 30, 2019 and 2018, respectively. This amount is included in accounts payable and accrued expenses on the consolidated balance sheets.

**Lynn Community Health, Inc. and Subsidiary
d/b/a Lynn Community Health Center**

Schedule of Expenditures of Federal Awards

Year ended June 30, 2019

Federal Grantor/Pass-through Grantor	Federal CFDA #	Pass-through Identification Number	Total Federal Expenditures
U.S. Department of Health and Human Services:			
Direct Awards:			
Health Center Program Cluster:			
Consolidated Health Centers (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care)	93.224	N/A	\$ 1,462,182
Affordable Care Act ("ACA") Grants for New and Expanded Services under the Health Center Program	93.527	N/A	3,219,468
Total Health Center Program Cluster			4,681,650
Outpatient Early Intervention Services with Respect to HIV Disease	93.918	N/A	211,247
Substance Abuse and Mental Health Services	93.243	N/A	572,661
Passed through Boston Public Health Commission HIV Emergency Relief Project Grants	93.914	N/A	390,278
Passed through the Commonwealth of Massachusetts Department of Public Health:			
Refugee and Entrance Assistance	93.566	4003-0826	17,726
HIV Prevention Activities	93.940	4513-9047	101,916
Block Grant for Prevention and Treatment of Substance Abuse	93.959	4512-9069	23,164
Opioid State Response Grants	93.788	4512-9093	291,307
Passed through HealthQuarters, Inc. Family Planning Services Grant	93.217	N/A	23,632
Total U.S. Department of Health and Human Services			6,313,581
U.S. Department of Agriculture:			
Passed through the Commonwealth of Massachusetts Department of Public Health:			
Special Supplemental Nutrition Program for Women, Infants and Children ("WIC")	10.557	4513-9007	4,004,160
WIC Grants to States ("WGS")	10.578	4514-1013	209
Total U.S. Department of Agriculture			4,004,369
Total Expenditures of Federal Awards			\$ 10,317,950

The accompanying notes are an integral part of this schedule.

**Lynn Community Health, Inc. and Subsidiary
d/b/a Lynn Community Health Center**

Notes to the Schedule of Expenditures of Federal Awards

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Lynn Community Health, Inc. and Subsidiary d/b/a Lynn Community Health Center under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of Lynn Community Health, Inc. and Subsidiary d/b/a Lynn Community Health Center, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Lynn Community Health, Inc. and Subsidiary d/b/a Lynn Community Health Center.

The reimbursement of indirect costs reflected in the accompanying financial statements as federal grants revenue is subject to final approval by federal grantors and could be adjusted upon the results of these reviews. Management believes that the results of any such adjustment will not be material to the Lynn Community Health, Inc. and Subsidiary d/b/a Lynn Community Health Center's financial position or change in net assets.

All of the Lynn Community Health, Inc. and Subsidiary d/b/a Lynn Community Health Center's federal awards were in the form of cash and voucher (Note 3) assistance for the year ended June 30, 2019.

Lynn Community Health, Inc. and Subsidiary d/b/a Lynn Community Health Center had no federally funded insurance programs or loan guarantees during the year ended June 30, 2019.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Lynn Community Health, Inc. and Subsidiary d/b/a Lynn Community Health Center has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

3. Special Supplemental Nutrition Program for Women, Infants and Children (WIC Program)

In fiscal year 2019, the WIC Program issued \$3,012,793 in vouchers to program participants to be used at local grocery stores. These funds, which are not received directly by Lynn Community Health, Inc. and Subsidiary d/b/a Lynn Community Health Center, are included in the total federal expenditures for the WIC Program on the Schedule.



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

To the Board of Directors
Lynn Community Health, Inc. and Subsidiary
d/b/a Lynn Community Health Center
Lynn, Massachusetts

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Lynn Community Health, Inc. and Subsidiary d/b/a Lynn Community Health Center (a nonprofit organization) (the "Organization"), which comprise the consolidated balance sheet as of June 30, 2019, and the related consolidated statements of operations, changes in net assets, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated December 13, 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 Organization'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 consolidated 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 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.

BDO USA, LLP

December 13, 2019



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

To the Board of Directors
Lynn Community Health, Inc. and Subsidiary
d/b/a Lynn Community Health Center
Lynn, Massachusetts

Report on Compliance for Each Major Federal Program

We have audited Lynn Community Health, Inc. and Subsidiary d/b/a Lynn Community Health Center's (the "Organization") 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 Organization's major federal programs for the year ended June 30, 2019. The Organization'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 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 Organization'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 Organization'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 Organization's compliance.

Opinion on Each Major Federal Program

In our opinion, the Organization 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 Organization 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 Organization'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 Organization'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.

BDO USA, LLP

December 13, 2019

**Lynn Community Health, Inc. and Subsidiary
d/b/a Lynn Community Health Center**

Schedule of Findings and Questioned Costs

Year ended June 30, 2019

Section I - Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major federal programs:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	None reported
Type of auditor's 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)?	No

Identification of major federal programs:

CFDA #	Name of Federal Program or Cluster
93.224	Health Center Program Cluster: Health Center Program (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care)
93.527	Grants for New and Expanded Services Under the Health Center Program

Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as low-risk auditee?	Yes

Section II - Financial Statement Findings

There were no findings related to the financial statements which are required to be reported in accordance with generally accepted government auditing standards.

Section III - Federal Award Findings and Questioned Costs

There were no findings and questioned costs for federal awards (as defined in 2 CFR 200.516(a)) that are required to be reported.

Supplementary Information

**Lynn Community Health, Inc. and Subsidiary
d/b/a Lynn Community Health Center**

Consolidating Balance Sheet

<i>June 30, 2019</i>	Lynn Community Health, Inc.	Lynn Community Health Center Building Corporation	Eliminations and Reclassifications	Consolidated Totals
Assets				
Current Assets:				
Cash and cash equivalents	\$ 10,665,636	\$ 3,923	\$ -	\$ 10,669,559
Investments	779,499	-	-	779,499
Patient accounts receivable, net	6,335,707	-	-	6,335,707
Grants and contracts receivable	758,212	-	-	758,212
Other accounts receivable	3,418,645	-	-	3,418,645
Prepaid expenses and other current assets	488,324	-	-	488,324
Current portion of assets whose use is limited or restricted	1,857,180	-	-	1,857,180
Total Current Assets	24,303,203	3,923	-	24,307,126
Assets Whose Use is Limited or Restricted:				
Board designated	980,738	-	-	980,738
Donor restricted	314,086	-	-	314,086
Indenture agreement	502,818	-	-	502,818
Total Assets Whose Use is Limited or Restricted	1,797,642	-	-	1,797,642
Property and Equipment, net	6,365,063	12,795,871	-	19,160,934
Total Assets	\$ 32,465,908	\$ 12,799,794	\$ -	\$ 45,265,702

**Lynn Community Health, Inc. and Subsidiary
d/b/a Lynn Community Health Center**

Consolidating Balance Sheet

<i>June 30, 2019</i>	Lynn Community Health, Inc.	Lynn Community Health Center Building Corporation	Eliminations and Reclassifications	Consolidated Totals
Liabilities and Net Assets				
Current Liabilities:				
Current portion of long-term debt	\$ 162,600	\$ -	\$ -	\$ 162,600
Accounts payable and accrued expenses	2,929,381	-	-	2,929,381
Accrued salaries and wages payable	3,234,706	-	-	3,234,706
Deferred revenue	-	-	-	-
Total Current Liabilities	6,326,687	-	-	6,326,687
Long-term Liabilities:				
Long-term debt, net of current portion	5,384,155	-	-	5,384,155
Total Liabilities	11,710,842	-	-	11,710,842
Commitments and Contingencies				
Net Assets:				
Without donor restrictions	18,583,800	12,799,794	-	31,383,594
With donor restrictions	2,171,266	-	-	2,171,266
Total Net Assets	20,755,066	12,799,794	-	33,554,860
Total Liabilities and Net Assets	\$ 32,465,908	\$ 12,799,794	\$ -	\$ 45,265,702

**Lynn Community Health, Inc. and Subsidiary
d/b/a Lynn Community Health Center**

Consolidating Balance Sheet

<i>June 30, 2018</i>	Lynn Community Health, Inc.	Lynn Community Health Center Building Corporation	Eliminations and Reclassifications	Consolidated Totals
Assets				
Current Assets:				
Cash and cash equivalents	\$ 4,373,176	\$ 3,923	\$ -	\$ 4,377,099
Investments	727,035	-	-	727,035
Patient accounts receivable, net	7,420,891	-	-	7,420,891
Grants and contracts receivable	1,564,035	-	-	1,564,035
Other accounts receivable	2,662,446	-	-	2,662,446
Prepaid expenses and other current assets	1,065,616	-	-	1,065,616
Current portion of assets whose use is limited or restricted	1,920,773	-	-	1,920,773
Total Current Assets	19,733,972	3,923	-	19,737,895
Assets Whose Use is Limited or Restricted:				
Board designated	914,489	-	-	914,489
Donor restricted	313,076	-	-	313,076
Indenture agreement	476,785	-	-	476,785
Total Assets Whose Use is Limited or Restricted	1,704,350	-	-	1,704,350
Property and Equipment, net	7,554,199	13,178,709	-	20,732,908
Total Assets	\$ 28,992,521	\$ 13,182,632	\$ -	\$ 42,175,153

**Lynn Community Health, Inc. and Subsidiary
d/b/a Lynn Community Health Center**

Consolidating Balance Sheet

<i>June 30, 2018</i>	Lynn Community Health, Inc.	Lynn Community Health Center Building Corporation	Eliminations and Reclassifications	Consolidated Totals
Liabilities and Net Assets				
Current Liabilities:				
Current portion of long-term debt	\$ 157,455	\$ -	\$ -	\$ 157,455
Accounts payable and accrued expenses	1,113,045	-	-	1,113,045
Accrued salaries and wages payable	3,418,492	-	-	3,418,492
Deferred revenue	368,809	-	-	368,809
Total Current Liabilities	5,057,801	-	-	5,057,801
Long-term Liabilities:				
Long-term debt, net of current portion	5,546,576	-	-	5,546,576
Total Liabilities	10,604,377	-	-	10,604,377
Commitments and Contingencies				
Net Assets:				
Without donor restrictions	16,154,295	13,182,632	-	29,336,927
With donor restrictions	2,233,849	-	-	2,233,849
Total Net Assets	18,388,144	13,182,632	-	31,570,776
Total Liabilities and Net Assets	\$ 28,992,521	\$ 13,182,632	\$ -	\$ 42,175,153

Lynn Community Health, Inc. and Subsidiary
d/b/a Lynn Community Health Center

Consolidating Statement of Operations

<i>Year ended June 30, 2019</i>	Lynn Community Health, Inc.	Lynn Community Health Center Building Corporation	Eliminations and Reclassifications	Consolidated Totals
Revenue and Other Support:				
Patient service revenue, net of contractual allowances	\$ 51,883,749	\$ -	\$ -	\$ 51,883,749
Provision for uncollectible accounts	(1,356,789)	-	-	(1,356,789)
Net patient service revenue	50,526,960	-	-	50,526,960
PACE personnel reimbursement	10,136,529	-	-	10,136,529
Grant and contract revenue	18,063,527	-	-	18,063,527
Premium revenue	1,708,394	-	-	1,708,394
Net assets released from restrictions used in operations	1,722,583	-	-	1,722,583
Other revenue	176,470	-	-	176,470
Total Revenue and Other Support	82,334,463	-	-	82,334,463
Expenses:				
Salaries and wages	43,248,789	-	-	43,248,789
Employee benefits	13,844,513	-	-	13,844,513
Medical expenses	13,861,281	-	-	13,861,281
Occupancy	4,735,970	-	-	4,735,970
Administrative and general supplies and expense	1,365,775	-	-	1,365,775
Purchased services	1,331,149	-	-	1,331,149
Transportation	86,905	-	-	86,905
Depreciation and amortization	1,226,592	382,838	-	1,609,430
Interest expense	199,885	-	-	199,885
Insurance	331,666	-	-	331,666
Total Expenses	80,232,525	382,838	-	80,615,363
Income (Loss) from Operations	2,101,938	(382,838)	-	1,719,100
Non-operating Gains:				
Investment income	55,123	-	-	55,123
Contributions	163,464	-	-	163,464
Realized gain on sale of investments	71,837	-	-	71,837
Total Non-operating Gains	290,424	-	-	290,424
Excess (Deficit) of Revenue, Other Support and Gains Over Expenses	2,392,362	(382,838)	-	2,009,524
Unrealized Gain on Investments	37,143	-	-	37,143
Increase (Decrease) in Net Assets Without Donor Restrictions	\$ 2,429,505	\$ (382,838)	\$ -	\$ 2,046,667

Lynn Community Health, Inc. and Subsidiary
d/b/a Lynn Community Health Center

Consolidating Statement of Operations

<i>Year ended June 30, 2018</i>	Lynn Community Health, Inc.	Lynn Community Health Center Building Corporation	Eliminations and Reclassifications	Consolidated Totals
Revenue and Other Support:				
Patient service revenue, net of contractual allowances	\$ 49,695,759	\$ -	\$ -	\$ 49,695,759
Provision for uncollectible accounts	(899,263)	-	-	(899,263)
Net patient service revenue	48,796,496	-	-	48,796,496
PACE personnel reimbursement	9,890,205	-	-	9,890,205
Grant and contract revenue	16,747,438	-	-	16,747,438
Premium revenue	1,201,099	-	-	1,201,099
Net assets released from restrictions used in operations	4,196,711	-	-	4,196,711
Other revenue	124,894	-	-	124,894
Total Revenue and Other Support	80,956,843	-	-	80,956,843
Expenses:				
Salaries and wages	43,317,953	-	-	43,317,953
Employee benefits	14,894,079	-	-	14,894,079
Medical expenses	14,859,148	-	-	14,859,148
Occupancy	4,541,118	-	-	4,541,118
Administrative and general supplies and expense	1,078,439	300	-	1,078,739
Purchased services	1,563,837	-	-	1,563,837
Transportation	99,716	-	-	99,716
Depreciation and amortization	1,495,919	382,838	-	1,878,757
Interest expense	206,430	140,098	-	346,528
Insurance	285,871	-	-	285,871
Total Expenses	82,342,510	523,236	-	82,865,746
Loss from Operations	(1,385,667)	(523,236)	-	(1,908,903)
Non-operating Gains:				
Investment income	56,211	-	-	56,211
Contributions	193,312	-	-	193,312
Forgiveness of debt income	-	2,580,800	-	2,580,800
Realized gain on sale of investments	71,596	-	-	71,596
Total Non-operating Gains	321,119	2,580,800	-	2,901,919
Excess (Deficit) of Revenue, Other Support and Gains Over Expenses	(1,064,548)	2,057,564	-	993,016
Net Assets Released from Restriction for Capital Expenditures	25,000	-	-	25,000
Capital Grant	1,646,666	-	-	1,646,666
Unrealized Gain on Investments	18,742	-	-	18,742
Transfer (to) from Affiliate	(8,836,995)	8,836,995	-	-
Increase (Decrease) in Net Assets Without Donor Restrictions	\$ (8,211,135)	\$ 10,894,559	\$ -	\$ 2,683,424