

Zufall Health Center, Inc.

Financial Statements

December 31, 2019



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Zufall Health Center, Inc.

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December 31, 2019

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Independent Auditors' Report

To the Board of Trustees of
Zufall Health Center, Inc.
Dover, NJ 07807

Report on the Financial Statements

We have audited the accompanying financial statements of Zufall Health Center, Inc. (a nonprofit organization) (the "Center"), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

To the Board of Trustees of
Zufall Health Center, Inc.

Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Zufall Health Center, Inc. as of December 31, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Report on Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedules of expenditures of federal and state 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* (Uniform Guidance) and the New Jersey State Circular 15-08-OMB, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*, and schedules of disbursements by grant are presented for purposes of additional analysis and are not a required part of the financial statements.

The schedules of expenditures of federal and state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules of expenditures of federal and state awards are fairly stated, in all material respects, in relation to the financial statements as a whole.

The schedules of disbursements by grant are the responsibility of management. Such information, except for that portion marked "unaudited", was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, that information is fairly stated in all material respects in relation to the financial statements as a whole. The information marked "unaudited" has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

To the Board of Trustees of
Zufall Health Center, Inc.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 23, 2020, on our consideration of the Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Center's internal control over financial reporting and compliance.

Nisiroccia LLP
Mt. Arlington, New Jersey
June 23, 2020

Zufall Health Center, Inc.
Statement of Financial Position
December 31, 2019

ASSETS

Current assets:

Cash and cash equivalents	\$ 5,014,965
Investments	2,590,446
Patient services receivable, net	2,351,639
340B pharmacy receivable	665,751
Grants, contracts and contributions receivable	776,076
Other receivables	571,540
Prepaid expenses and other current assets	<u>334,406</u>

Total current assets	12,304,823
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Property and equipment, net	10,780,740
Security deposits	52,870
Reserve fund	<u>22,680</u>

Total assets	<u><u>\$ 23,161,113</u></u>
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LIABILITIES AND NET ASSETS

Current liabilities:

Accounts payable and accrued expenses	\$ 799,950
Accrued payroll and employee benefits	1,427,487
Line of credit	635,200
Current portion of long-term debt	<u>173,564</u>

Total current liabilities	3,036,201
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Long-term debt, net of current portion	<u>1,326,135</u>
Total liabilities	<u><u>4,362,336</u></u>

Net assets:

Without donor restrictions:

Undesignated	16,460,690
Designated by the board for specific purposes	<u>2,072,357</u>

Total net assets without donor restrictions	18,533,047
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With donor restrictions:

Purpose restrictions	<u>265,730</u>
Total net assets	<u><u>18,798,777</u></u>

Total liabilities and net assets	<u><u>\$ 23,161,113</u></u>
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See Notes to Financial Statements

Zufall Health Center, Inc.
Statement of Activities
Year Ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support:			
Patient services (net of contractual allowances)	\$ 15,310,683		\$ 15,310,683
DHHS grants	6,270,203		6,270,203
Contract services and contributions	3,797,519	\$ 528,508	4,326,027
340B pharmacy	3,434,268		3,434,268
Donated vaccines and supplies	1,367,604		1,367,604
Other	1,150,488		1,150,488
Net assets released from restrictions	477,879	(477,879)	
Total revenue and support	<u>31,808,644</u>	<u>50,629</u>	<u>31,859,273</u>
Expenses:			
Program services:			
Medical	14,298,475		14,298,475
Dental	5,134,832		5,134,832
Behavioral health	1,300,293		1,300,293
Other program services	4,588,155		4,588,155
Total program services	<u>25,321,755</u>		<u>25,321,755</u>
Supporting services:			
General and administrative	6,098,860		6,098,860
Fundraising	207,319		207,319
Total supporting services	<u>6,306,179</u>		<u>6,306,179</u>
Total operating expenses	<u>31,627,934</u>		<u>31,627,934</u>
Operating income before depreciation and nonoperating revenue	180,710	50,629	231,339
Depreciation	<u>501,611</u>		<u>501,611</u>
Operating income (loss) before nonoperating revenue	(320,901)	50,629	(270,272)
Nonoperating revenue:			
Net investment income	<u>411,159</u>		<u>411,159</u>
Total nonoperating revenue	411,159		411,159
Change in net assets	90,258	50,629	140,887
Net assets, beginning of year	<u>18,442,789</u>	<u>215,101</u>	<u>18,657,890</u>
Net assets, end of year	<u>\$ 18,533,047</u>	<u>\$ 265,730</u>	<u>\$ 18,798,777</u>

See Notes to Financial Statements

Zufall Health Center, Inc.
Statement of Functional Expenses
Year Ended December 31, 2019

	Program Services				Supporting Services			Total
	Medical	Dental	Behavioral Health	Other Program Services	Total	General and Administrative	Fundraising	
Salaries and wages	\$ 6,714,292	\$ 3,321,492	\$ 832,029	\$ 3,366,071	\$ 14,233,884	\$ 3,087,924	\$ 115,501	\$17,437,309
Payroll taxes and fringe benefits	1,269,952	628,233	157,372	636,665	2,692,222	584,057	21,846	3,298,125
Consultants and contractual services	1,008,239	27,685	171,458	77,325	1,284,707	790,262	84	2,075,053
Insurance	55,966	22,977	6,929	21,755	107,627	39,889	1,490	149,006
Consumable supplies	4,284,280	761,674			5,045,954			5,045,954
Occupancy	129,895	53,328	16,081	50,492	249,796	139,628	26,258	415,682
Equipment rental and maintenance	53,573	30,265	34,217	23,309	141,364	52,706		194,070
Office expenses	146,334	89,086	2,224	175,570	413,214	71,912	1,274	486,400
Professional fees						329,182		329,182
Utilities	62,367	25,604	7,721	24,243	119,935	48,699	7,271	175,905
Repairs and maintenance	175,276	71,959	21,700	68,132	337,067	133,191	4,667	474,925
Licenses and fees	33,689		360		34,049	69,471		103,520
Dues and subscriptions	29,600	16,050	3,010	2,108	50,768	58,878		109,646
Travel, conferences and meetings	83,975	31,554	11,177	88,769	215,475	111,330	125	326,930
Telephone	106,296	11,699	20,715	12,789	151,499	62,159	662	214,320
Interest						96,720		96,720
Other	144,741	43,226	15,300	40,927	244,194	152,150	28,141	424,485
Bad debt expense						270,702		270,702
Total	<u>14,298,475</u>	<u>5,134,832</u>	<u>1,300,293</u>	<u>4,588,155</u>	<u>25,321,755</u>	<u>6,098,860</u>	<u>207,319</u>	<u>31,627,934</u>
Depreciation	<u>188,406</u>	<u>77,348</u>	<u>23,325</u>	<u>73,235</u>	<u>362,314</u>	<u>134,281</u>	<u>5,016</u>	<u>501,611</u>
Total expenses	<u>\$ 14,486,881</u>	<u>\$ 5,212,180</u>	<u>\$ 1,323,618</u>	<u>\$ 4,661,390</u>	<u>\$ 25,684,069</u>	<u>\$ 6,233,141</u>	<u>\$ 212,335</u>	<u>\$32,129,545</u>

See Notes to Financial Statements

Zufall Health Center, Inc.
Statement of Cash Flows
Year Ended December 31, 2019

Cash flows from operating activities:	
Change in net assets	\$ 140,887
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	501,611
Bad debt expense	270,702
Change in allowance for doubtful accounts	(112,677)
Realized and unrealized gain on investments	(325,985)
Changes in operating assets and liabilities:	
Patient services receivable	(509,269)
340B pharmacy receivable	(198,922)
Grants, contracts and contributions receivable	91,409
Other receivables	(571,540)
Prepaid expenses and other current assets	(178,355)
Accounts payable and accrued expenses	(54)
Accrued payroll and employee benefits	257,102
Net cash used in operating activities	<u>(640,091)</u>
 Cash flows from investing activities:	
Purchases of property and equipment	(263,869)
Purchases of investments	(883,036)
Proceeds from sale of investments	1,292,074
Net cash provided by investing activities	<u>145,169</u>
 Cash flows from financing activities:	
Principal payments on long-term debt	(177,671)
Net cash used in financing activities	<u>(177,671)</u>
 Net decrease in cash, cash equivalents, and restricted cash	(672,593)
 Cash, cash equivalents, and restricted cash beginning of year	<u>5,710,238</u>
 Cash, cash equivalents, and restricted end of year	<u><u>\$ 5,037,645</u></u>
 Supplemental disclosures:	
Cash paid for interest	<u><u>\$ 96,720</u></u>
 Unrealized gain on investments	<u><u>\$ 190,844</u></u>
 In-kind contributions	<u><u>\$ 1,367,604</u></u>

See Notes to Financial Statements

1. Nature of Activities

Zufall Health Center, Inc. (the "Center") operates healthcare centers across six counties in Northwest and Central New Jersey: Morris, Warren, Sussex, Somerset, Essex and Hunterdon. The Center provides a broad range of health services to a largely medically underserved population.

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

Approximately 32% of the funding for the Center comes from government grants and public assistance for the year ended December 31, 2019. This funding is dependent upon monies from federal and state programs. Accordingly, there is no guarantee that such funding will continue. In addition, net asset balances are dependent upon approval of disbursed monies by the granting agencies.

2. Summary of Significant Accounting Policies

Basis of Presentation

The Center's financial statements are prepared in accordance the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU"), *Not-for-Profit Entities (Topic 958), Presentation of Financial Statements of Not-for-Profit Entities*. Financial Statements of Not-for-Profit Organizations. The standard requires that information regarding the Center's financial position, activities, and cash flows be reported in two classes of net assets: net assets without donor restrictions and net assets with donor restrictions based upon the existence or absence of donor imposed restrictions. Accordingly, net assets of the Center and changes therein are classified and reported as follows:

Net assets without donor restrictions are comprised of net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for to be held for specific purposes.

Net assets with donor restrictions represent amounts with donor or certain grantor imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts of assets and liabilities, revenue and expenses and changes therein, and disclosures of contingent assets and liabilities and accompanying notes. It is reasonably possible that the Center's estimates may change in the near term.

Adoption of New Accounting Standards

In May 2014, the FASB issued guidance Accounting Standards Codification (ASC) 606, *Revenue from Contracts with Customers* which provides a five-step analysis of contracts to determine when and how revenue is recognized and replaces most existing revenue recognition guidance in U.S. generally accepted accounting principles. The core principle of the new guidance is that an entity should recognize revenue to reflect the transfer of goods and services to customers in an amount equal to the consideration the entity receives or expects to receive. ASC 606 is effective for annual reporting periods beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. The Center adopted ASC 606 as amended with a date of the initial application of January 1, 2019 as management believes the standard improves the usefulness and understandability of the Center's financial reporting.

The Center applied ASC 606 using the modified retrospective method, with no effect recorded to revenue and net assets without donor restrictions or net assets with donor restrictions at January 1, 2019.

As part of the adoption of ASC 606, the Center elected to use the following transition practical expedients: (1) all contract modifications that occurred prior to the date of initial application when identifying the satisfied and unsatisfied performance obligations, determining the transaction price, and allocating the transaction price have been reflected in the aggregate; and (2) ASC 606 is applied only to contracts that are not completed at the initial date of application. Because there are no contract modifications, there is not a significant impact as a result of electing these practical expedients.

Analysis of various provisions of this standard resulted in no changes in the way the Center recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

In June 2018, FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. The Center has implemented the provisions of ASU 2018-08 applicable to both contributions received and to contributions made in the accompanying financial statements under a modified prospective basis. Accordingly, there is no effect on net assets in connection with the implementation of ASU 2018-08.

In August 2016, FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230), Classification of Certain Cash Receipts and Cash Payments*. This guidance is intended to reduce the diversity in practice in how certain transactions are classified in the statement of cash flows. In addition, in November 2016, FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230), Restricted Cash*. This ASU provides additional guidance related to transfers between cash and restricted cash and how entities present, in their statements of cash flows, the cash receipts and cash payments that directly affect the restricted cash accounts. We have adopted these provisions in the accompanying financial statements.

Revenue and Support Recognition

The Center recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give that is, those with a measurable performance or other barrier and a right of return are not recognized until the conditions on which they depend have been substantially met.

The Center reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. However, if the donor restriction is satisfied during the accounting period in which the gift was received, the gifts are reported as contributions without donor restrictions in the statement of activities.

A portion of the Center's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/ or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract provisions. Amounts received prior to incurring qualifying expenditures are reported as deferred revenue in the statement of financial position.

The Center operates a small thrift known as Good As New which is nonprofit resale shop of which the proceeds of which help support the services and programs of the Center. During the year end December 31, 2019 thrift shop revenue amounted \$68,979 which is included in other revenue in the statement of activities.

The Center participates in section 340B of the Public Health Service Act. ("PHS Act"), "Limitation on Prices of Drugs Purchased by Covered Entities" through its agreement with a third-party administrative agent and certain unaffiliated local pharmacies. Participation in this program allows the Center to purchase pharmaceuticals at discounted rates for prescriptions to eligible patients. The Center records revenue based on the price of the pharmaceuticals dispensed.

The Center has agreements with third-party payors that provide for payments to the Center at amounts different from its established rates. Payment arrangements include predetermined fee schedules and discounted charges. Service fees are reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered, including retroactive adjustments under reimbursement agreements with third-party payors, which are subject to audit by administering agencies.

These adjustments are accrued on an estimated basis and are adjusted in future periods as final settlements are determined. The Center provides care to certain patients under Medicaid and Medicare payment arrangements. Laws and regulations governing the Medicaid and Medicare programs are complex and subject to interpretation. Compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action.

Self-pay revenue is recorded at published charges with charitable care deducted to arrive at gross self-pay revenue. Contractual allowances are then deducted to arrive at net self-pay patient revenue and any provision for bad debts is recorded as bad debt expense in the statement of functional expenses.

Disaggregation of Revenue

Revenue is disaggregated by timing of satisfaction of performance obligations and the performance obligations in the following:

Revenue satisfied at a point in time for the year ended December 31, 2019 amounted to \$18,813,930. Revenue from performance obligations satisfied at a point in time consists of patient services revenue, 340B pharmacy revenue, and thrift shop revenue.

Income Tax Status

The Center is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation. The Center is also exempt under Title 15 of the State of New Jersey *Corporations and Organizations Not-for-Profit Act*. Accordingly, no provision for federal or state income tax has been presented in the accompanying financial statements.

The Center follows the provisions of FASB ASC *Income Taxes*. The standard prescribes a minimum recognition threshold and measurement methodology that a tax position taken or expected to be taken in a tax return is required to meet before being recognized in the financial statements. It also provides guidance for derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition as they relate to those tax positions.

The Center believes that it has appropriate support for the positions taken on its tax returns and accordingly, has not recorded any tax provision for the year ended December 31, 2019. However, the Center is subject to audit by tax authorities including a review of its nonprofit status which management believes would be upheld upon examination. As such, certain tax positions could be challenged and the amounts ultimately paid, if any, upon resolution of the issues raised by the taxing authorities, may differ materially from the amounts filed.

As required by law, the Center files informational returns with both the United States federal and state of New Jersey jurisdictions on an annual basis - Form 990 with the Internal Revenue Service, and Form CRI-300R with the State. The Center is subject to examinations at any time within certain statutory periods from the latest filing date for federal and New Jersey.

Cash, Cash Equivalents, and Restricted Cash

We consider all cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. Cash and highly liquid financial instruments restricted to the reserve fund other long-term purposes are excluded from this definition.

Zufall Health Center, Inc.
Notes to Financial Statements
Year Ended December 31, 2019

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the statements of financial position to the sum of the corresponding amounts within the statements of cash flows for the year ended December 31, 2019:

Cash and cash equivalents	\$ 5,014,965
Cash restricted for reserve fund	22,680
Total	<u><u>\$ 5,037,645</u></u>

Reserve Fund

The Center has a promissory note related to the 117 Seber Road, Hackettstown, NJ property and are required to maintain a reserve fund amounting to \$22,680 as of December 31, 2019.

Investments

The Center follows FASB ASC, *Accounting for Certain Investments Held by Non-for-Profit Organizations*. In accordance with this accounting standard, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income or loss (including interest, dividends, realized gains and losses on the sale of investments) are included in the statement of activities as increases or decreases of net assets without donor restrictions unless the income or loss is restricted by donor or law.

Investment income and gains restricted by a donor are reported as increases in net assets without donor restrictions if the restrictions are met (either by the passage of time or by use) in the reporting period in which the income and gains are recognized. Fair market value, at acquisition or contribution, as well as at subsequent dates, is determined based on quoted market prices as provided by the investment advisors.

Patient Services Receivable, Grants, Contracts and Contributions Receivable and Allowances for Doubtful Accounts

Patient services receivable are reduced primarily by contractual allowances and, where applicable, an allowance for doubtful accounts. Contractual allowances are determined based on pre-established rates with third party payers. In evaluating the collectability of patient services receivable, the Center analyzes its past history and identifies trends for each of its major payer sources of revenue to estimate the appropriate implicit price concessions to be included in revenue and receivable amounts. Allowance for doubtful accounts and provision for bad debts will be based on unexpected uncollectible amounts. Management regularly reviews data about these major payer sources of revenue in determining patient receivable balances. 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 example, for unexpected uncollectible deductibles). At December 31, 2019 the allowance for doubtful accounts was \$540,317.

For receivables associated with self-pay patients (which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), the Center records a provision for bad debts in the period of service on the basis of any unexpected uncollectible amounts.

Implicit price concessions are based on past experience which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates (or the discounted rates if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts.

Contract services and other grants receivable are stated at the amount management expects to collect from balances outstanding. Management closely monitors outstanding balances throughout the year, and writes off to expense all balances that are considered uncollectible. Management considers all grants and contract services receivable to be fully collectible; accordingly, no allowance for doubtful accounts is considered necessary.

Management considers all 340B pharmacy receivable to be fully collectible; accordingly, no allowance for doubtful accounts is considered necessary.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets ranging from 3-50 years.

Leasehold improvements are amortized over the shorter of the useful life of the asset or the lease term. Expenditures over \$5,000 are capitalized. Maintenance, repairs and minor renewals are expensed as incurred.

When assets are retired or otherwise disposed of, their costs and related accumulated depreciation are removed from the accounts and any resulting gains or losses are included in the change in net assets.

Construction in progress is recorded at cost. The Center capitalizes construction, insurance and other costs during the period of construction. Depreciation is recorded when construction is substantially complete and the assets are placed in service.

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

Impairment of Long-Lived Assets

The Center continually evaluates whether current events or circumstances warrant adjustments to the carrying value or estimated useful lives of fixed assets in accordance with the provisions of FASB ASC *Accounting for the Impairment or Disposal of Long-Lived Assets*. In performing a review for impairment, the Center compares the carrying value of the assets with their estimated future undiscounted cash flows.

If it is determined that impairment has occurred, the loss would be recognized during that period. The impairment loss is calculated as the difference between the asset carrying values and the present value of estimated net cash flows or comparable market values, giving consideration to recent operating performance and pricing trends. The Center does not believe that any material impairment currently exists related to its long-lived assets.

Charity Care and Community Benefit

The Center is open to all patients, regardless of their ability to pay. In the ordinary course of business, the Center renders services to patients who are financially unable to pay for healthcare.

The Center provides care to those patients who meet certain criteria under its sliding fee discount policy without charge or at amounts less than the established rates. Charity care services are computed using a sliding fee scale based on patient income and family size.

The Center maintains records to identify and monitor the level of sliding fee discount it provides. For uninsured self-pay patients that do not qualify for charity care, the Center recognizes revenue on the basis of its standard rates for services provided or on the basis of discounted rates, if negotiated or provided by policy.

On the basis of historical experience, a significant portion of the Center's uninsured patients will be unable or unwilling to pay for the services provided. Thus, the Center records a significant provision for bad debts related to uninsured patients in the period the services are provided.

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

Based on the cost of patient services, charity care and community benefit expenses for the year ended December 31, 2019 amounted to approximately \$9,400,000 and \$4,400,000, respectively. These amounts are not recognized in the accompanying financial statements.

Fair Value of Financial Instruments

In accordance with FASB ASC *Fair Value Measurements and Disclosures*, fair value is defined as a market-based measurement, not an entity-specific measurement. The objective of a fair value measurement is to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions (that is, an exit price at the measurement date from the perspective of a market participant that holds the asset or owes the liability). A fair value measurement assumes that the transaction to sell the asset or transfer the liability either occurs in the principal market (or in its absence, the most advantageous market) for the asset or liability.

The Fair Value Measurements Topic of the FASB ASC establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value.

The measurement of fair value focuses on the price that would be received to sell the asset or paid to transfer the liability regardless of whether an observable liquid market price existed (an exit price). An exit price valuation will include margins for risk even if they are not observable. As the Center is released from risk, the margins for risk will also be released through net realized capital gains (losses) in net income.

The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Center has the ability to access.

Level 2: Inputs to the valuation methodology include:

- 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. Level 3 assets and liabilities measured at fair value are based on one or more of three valuation techniques:

- Market approach - Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities;
- Cost approach - Amount that would be required to replace the service capacity of an asset (i.e., current replacement cost);
- Income approach - Techniques that convert future amounts to a single present amount based on current market expectations about those future amounts (including present value techniques, option-pricing models, and lattice models).

The asset's 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. For some assets and liabilities, observable market transactions or market information may be available. For other assets and liabilities, observable market transactions and market information might not be available. For other assets and liabilities, observable market transactions and market information might not be available.

When a price for an identical asset or liability is not observable, a reporting entity measures fair value using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs. Because fair value is a market-based measurement, it is measured using the assumptions that market participants would use when pricing the asset or liability, including assumptions about risk. As a result, a reporting entity's intention to hold an asset or settle or otherwise fulfill a liability is not relevant when measuring fair value.

The following is a description of the valuation methodologies used for assets and liabilities measured at fair value. There have been no changes in the methodologies used at December 31, 2019:

Cash and cash equivalents, patient services receivable, 340B pharmacy receivable, grants, contracts and contributions receivable, prepaid expenses and other current assets, security deposits, reserve fund, accounts payable and accrued expenses, and accrued payroll and employee benefits: the carrying amounts approximate fair value due to the short term maturity of these instruments.

Mutual funds: The carrying amounts are stated at the net asset value (NAV) of shares held by the Center at year end.

Common stocks: The carrying amounts are valued at the closing price reported in the active market in which the individual securities are traded.

Exchange traded funds: The carrying amounts are valued at the closing price reported in the active market in which the individual securities are traded.

Fixed income securities: The carrying amounts are valued at the closing price reported in the active market in which the individual securities are traded.

Functional Allocation of Expenses

The cost of providing various services and other activities has been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been charged to program services, general and administrative or fundraising based on a combination of specific identification and allocation by management.

The expenses that are allocated include insurance, occupancy, equipment rental and maintenance, utilities, repairs and maintenance, and depreciation, which are allocated on a square footage basis, as well as salaries and wages, payroll taxes and fringe benefits, consultants and contractual services, professional fees, travel, conferences and meetings, and telephone, which are allocated on the basis of estimates of time and effort. Licenses and fees, dues and subscriptions, and other expenses are allocated on a project basis. Consumable supplies are allocated to the programs they are utilized in while interest is allocated to general and administrative expenses.

Performance Indicator

The statement of activities and changes in net assets included operating income before nonoperating activities as the performance indicator. Changes in net assets without donor restrictions which are excluded from the performance indicator may include any capital grants and investment return.

Concentrations of Credit Risk

Financial instruments that potentially subject the Center to concentrations of credit risk consist principally of cash and cash equivalents, patient services receivable, grants and contracts receivables, contributions receivable, and pharmacy receivable. The Center places its cash and cash equivalents with high quality financial institutions.

The Center monitors its financial institutions and the concentration of credit risk on a regular basis and does not anticipate nonperformance by the financial institutions. Patient services receivable credit risk is limited because the receivables are reported at their outstanding unpaid principal balances reduced by an allowance for doubtful accounts.

The Center estimates doubtful accounts based on historical bad debts, factors related to specific payors' ability to pay and current economic trends. The Center writes off accounts receivable against the allowance when a balance is determined to be uncollectible.

Grants, contracts and pharmacy receivables credit risk is limited due to the nature of the contracts and the grants. The Center regularly monitors its grants, contracts and pharmacy receivables by investigating delayed payments and differences when payments received do not conform to the amount billed. The Center considers all grants, contracts, and pharmacy receivables as collectible.

Donated Services

The Board of Trustees makes significant contributions of time relative to general management and operations of the Center. Additionally, a substantial number of unpaid volunteers have made significant contributions of their time to the programs sponsored by the Center.

The value of this contributed time is not reflected in the financial statements since it does not meet the requirements for recognition under U.S. generally accepted accounting principles.

In-Kind Contributions

In-kind contributions are reflected as contributions at their fair value at the date of donation and are reported as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used.

The Center recognizes the fair value of contributed services received if such services create or enhance nonfinancial assets or require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not contributed. For the year ended December 31, 2019, in-kind contributions consisted of donated vaccines and supplies in the amount of \$1,367,604.

Interest Earned on Federal Funds

Interest earned on Federal funds is recorded as a payable to the United States Public Health Services ("PHS") in compliance with the regulations of the United States Office of Management and Budget.

3. Liquidity and Availability

The Center receives significant contributions with donor restrictions to be used in accordance with the associated purpose restrictions as well as from governmental agencies under specified grant agreements which fall within the Center's general operating expenses to fund their programs and mission. The Center also has set aside investment funds which are only to be designated by the board for specific purposes; the income generated from these funds is used to fund programs.

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In addition, the Center receives support without donor restrictions including income generated from their programs such as Medical, Dental, Behavioral Health, and various other programs; such support has historically represented a majority of annual program funding needs, with the remainder funded by grants and contributions.

The Center considers patient service revenue generated from its programs, grant revenue, contributions without donor restrictions and contributions with donor restrictions for use in current programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. General expenditures include those related to the Center's programs, administrative and general expenses, fundraising expenses expected to be paid in the subsequent year. Annual operations are defined as activities occurring during the Center's fiscal year.

The Center manages its cash available to meet general expenditures following three guiding principles:

- Operating within a prudent range of financial soundness and stability,
- Maintaining adequate liquid assets, and
- Maintaining sufficient reserves to provide reasonable assurance that long term grant commitments and obligations under endowments with donor restrictions and quasi-endowments that support mission fulfillment will continue to be met, ensuring the sustainability of the Center.

As of December 31, 2019, the following table shows the total financial assets held by the Center and the amounts of those financial assets that could readily be made available within one year of the balance sheet date to meet general expenditures:

Financial assets at year end:	
Cash, cash equivalents, and restricted cash	\$ 5,037,645
Investments	2,590,446
Patient services receivable, net	2,351,639
340B pharmacy receivable	665,751
Grants, contracts and contributions receivable	776,076
Other receivables	571,540
Prepaid expenses and other current assets	334,406
Total financial assets	<u>12,327,503</u>
Less amounts not available to be used within one year:	
Investments designated by the board for specific purposes	(2,072,357)
Reserve fund	(22,680)
Financial assets not available to be used within one year	<u>(2,095,037)</u>
Financial assets available to meet general expenditures within one year	<u><u>\$ 10,232,466</u></u>

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In addition to financial assets available to meet general expenditures over the next 12 months, the Center operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

However, all net assets with donor restrictions are deemed to a part of the Center's programs and would be regular operating expenditures for the Center and thus are not deemed unavailable to meet general expenditures.

Amounts not available include board designated funds intended to fund special board initiatives not considered in the annual operating budget. In the event the need arises to utilize the funds designated by the board for liquidity purposes, the reserves could be drawn upon through board resolution.

In addition, to these available financial assets, a significant portion of the Organization's annual expenditures will be funded by current year operating revenues including donations, grant income, and patient service revenues.

4. Patient Services Receivable

At December 31, 2019, patient services receivable, net, consisted of the following:

Medicaid (including Medicaid managed care)	\$	289,549
Medicare		252,196
Self-Pay		561,713
Private Insurance		70,834
New Jersey Managed Care Wraparound		878,354
New Jersey Uncompensated care		<u>839,310</u>
Subtotal		2,891,956
Less: allowance for doubtful accounts		<u>540,317</u>
Total	\$	<u><u>2,351,639</u></u>

Patient services receivable is reduced by an allowance for doubtful accounts. In evaluating the collectability of patient services receivable, the Center analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for bad debts. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts.

For receivables associated with services provided to patients who have third-party coverage, the Center analyzes contractually due amounts and provides a contractual allowance and a provision for bad debts, if necessary (for example, for expected uncollectible deductibles and copayments on accounts for which the third-party payor has not yet paid, or for payors who are known to be having financial difficulties that make the realization of amounts due unlikely).

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For receivables associated with self-pay patients (which include both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), the Center records a significant provision for bad debts in the period of service on the basis of its past experience, which indicated that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standards rates or the discounted rates provided by the Center's policy and the amounts actually collected after all reasonable collection efforts have been exhausted is charged against the allowance for doubtful accounts.

The Center's allowance for doubtful accounts was approximately 3 percent of patient services receivable at December 31, 2019. The Center had \$217,039 in bad debt expense related to patient services revenue for the year ended December 31, 2019. The Center has not changed its charity care or uninsured discount policies during fiscal year 2019.

5. Grants, Contracts and Contributions Receivable

New Jersey Department of Health and Senior Services:		
SNAP Education Program		\$ 164,471
Cancer Education and Early Detection Program		93,905
Children's Oral Health		57,951
HIV/AIDS Navigator		29,805
Maternal Wraparound Program		92,287
New Jersey Department of Children & Families		
Sexual Assault and Rape Consulting		49,638
County of Middlesex Department of Community Services:		
Ryan White Middlesex-Somerset-Hunterdon TGA		29,136
City of Newark Department of Child and Family Well-Being:		
Ryan White Part A HIV Emergency Relief Grant		13,810
Other		245,073
Total		<u>\$ 776,076</u>

6. Investments

At December 31, 2019, investments consist of the following:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
Investments			
Common Stocks	\$ 357,739	\$ 565,278	\$ 207,539
Mutual Funds	1,326,359	1,580,578	254,219
Fixed Income	230,535	254,691	24,156
Exchange Traded Funds	186,994	189,899	2,905
Total	<u>\$ 2,101,627</u>	<u>\$ 2,590,446</u>	<u>\$ 488,819</u>

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Net income from investments for the year ended December 31, 2019 is comprised of:

Dividends and interest	\$ 85,174
Realized gains	135,141
Unrealized gains	<u>190,844</u>
Total	<u><u>\$ 411,159</u></u>

The following table sets forth by level, within the fair value hierarchy, the Center's investments as of December 31, 2019:

	<u>Level 1</u>
Common Stocks	
Basic Materials	\$ 24,164
Consumer Goods	64,665
Financial	96,222
Healthcare	57,377
Industrial Goods	50,361
Services	38,556
Technology	188,123
Utilities	38,143
Energy	7,667
Mutual Funds	
Diversified Emerging Markets	167,238
Foreign Large Value	193,316
Foreign Small/Mid Value	105,025
Global Real Estate	31,509
Nontraditional Bond	162,548
Short-Term Bond	479,439
Corporate Bond	131,074
Small Blend	34,847
Medium Blend	43,350
Large Value	171,052
Small Value	61,180
Fixed Income	
Treasury Inflation Protected Securities	81,374
Mortgage Backed Securities	173,317
Exchange-Traded Funds	
Diversified Emerging Markets	86,930
Small Blend	33,440
Energy Limited Partnership	<u>69,529</u>
	<u><u>\$ 2,590,446</u></u>

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Notes to Financial Statements
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7. Property and Equipment

At December 31, 2019, property and equipment consisted of the following:

	<u>Useful Lives</u>	<u>2019</u>
Buildings and leasehold improvements	3-50	\$ 11,015,533
Vehicles	5-7	589,153
Furniture and equipment	5	<u>1,712,255</u>
Subtotal		13,316,941
Less: accumulated depreciation		<u>4,031,876</u>
Subtotal		9,285,065
Land		1,298,666
Construction in progress		<u>197,009</u>
Total		<u><u>\$ 10,780,740</u></u>

In the event the DHHS grants are terminated, the DHHS reserves the right to transfer all property and equipment purchased with grant funds to Public Health Services or third parties.

No depreciation has been recorded on the construction in progress. Depreciation will commence on these assets once these assets are placed in service. Depreciation expense for the year ended December 31, 2019 amounted to \$501,611.

8. Line of Credit

The Center had two revolving lines of credit available during the year ended December 31, 2019. The first line of credit was entered into on February 22, 2018 in the amount of \$215,200 payable with a variable interest based on the Wall Street Journal Prime Rate minus one percentage point with a floor of 3.25%. The line of credit was secured by land owned by the Center located on 49 Mt. Pleasant Avenue, West Orange, New Jersey. The original maturity date for the line was February 21, 2019, however, in February 2019, the maturity date was extended to April 26, 2020. The second line of credit was entered into on April 27, 2018 in the amount of \$420,000 payable with a variable interest based on the Wall Street Journal Prime Rate minus one percentage point with a floor of 3.25%. The line of credit was secured by land owned by the Center located on 43-45 Mt. Pleasant Avenue, West Orange, New Jersey. The original maturity date for the line was April 26, 2019, however, in February 2019, the maturity date was extended to April 26, 2020. The full amounts were utilized on the line of credit during 2019 and the outstanding line of credit balance at December 31, 2019 amounted to \$635,200. The interest rate at December 31, 2019 amounted to 4.50%. These amounts were subsequently refinanced through TriState Capital upon the line of credit maturity dates in April 2020.

The Center has an additional revolving line of credit of \$200,000 with a variable interest rate based on the lender's prime rate with another financial institution. No amounts were drawn on the line of credit during 2019.

Zufall Health Center, Inc.
Notes to Financial Statements
Year Ended December 31, 2019

9. Long Term Debt

Notes and loans payable at December 31, 2019 consisted of the following:

	<u>2019</u>
Mortgage payable - \$1,400,000 face amount, maturing on February 1, 2027, payable in equal monthly installments of \$14,241.33. Under the agreement, Fulton Bank of New Jersey shall provide financing up to a maximum amount of \$1,400,000 for a period of 10 years commencing on February 1, 2017 and maturing on February 1, 2027. Interest on the outstanding principal is fixed at 4.10% per year. The property located at 18 West Blackwell Street in Dover, New Jersey serves as collateral for the loan; such property had a net book value of \$4,706,445 as of December 31, 2019. Other collateral includes a first priority assignment of rents and leases and a perfected first priority security interest in and to all fixtures, and personal property of every nature presently or in the future attached to, or used in connection with the Property.	\$ 1,060,130
Promissory note - \$420,000 face amount, maturing on December 20, 2043, payable in equal monthly installments of \$1,890, including interest at 3.5% per annum. The property located at 117 Seber Road, Hackettstown, NJ, serves as collateral for the loan; the property had net book value of \$351,836 as of December 31, 2018. The promissory note requires the Center to maintain a reserve fund, which amounted to \$22,680 as of December 31, 2019.	366,804
Mortgage payable - \$342,114 face amount, maturing in December 2020, payable in equal monthly installments of \$3,133. Under the agreement, Santander Bank shall provide financing at an interest rate of 4.75%. The property located at 71 4th Street, Somerville, NJ serves as collateral for the loan; the property had net book value of \$1,021,322, as of December 31, 2019.	<u>72,765</u>
Subtotal	1,499,699
Less current portion	<u>(173,564)</u>
Long-term debt	<u><u>\$ 1,326,135</u></u>

Zufall Health Center, Inc.
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Future maturities of long term debt in each of the five years subsequent to December 31, 2019 and thereafter are as follows:

<u>Years ending December 31,</u>	
2020	\$ 173,564
2021	184,318
2022	151,639
2023	157,120
2024	164,553
Thereafter	668,505
	<u>\$ 1,499,699</u>

The Center is in compliance with certain covenants under its mortgage payable and promissory note as defined in the respective agreements.

10. Net Assets Without Donor Restrictions Designated By The Board For Specific Purposes

As of December 31, 2019 the board has designated \$2,072,357 of net assets without donor restrictions for operating reserves which represents 80% of the investment balance at year end. It is the policy of the Center's Board to invest funds in a manner as to provide reasonable return consistent with adequate protection of the assets entrusted to the Center by the agency's founder. Investment decisions shall be the responsibility of the outside investment advisory firm within the framework established by the Governing Board and Finance Committee.

11. DHHS Grants

For the year ended December 31, 2019, the Center recognized grant revenue from the DHHS as follows:

<u>Grant Number</u>	<u>Grant Period</u>	<u>Total Grant</u>	<u>Revenue Recognized</u>
6H80CS04211-15-01	02/01/2019 - 01/31/20	\$ 5,876,512	\$ 5,072,972
6H80CS04211-14-01	02/01/2018 - 01/31/19	5,822,844	856,000
6H76HA24737-08-00	05/01/2019 - 04/30/20	271,806	170,293
6H76HA24737-07-00	05/01/2018 - 04/30/19	254,535	58,982
6P06HA33780-01-00	09/01/2019 - 08/31/20	114,847	13,008
6P06HA32256-01-00	09/01/2018 - 08/31/19	100,600	84,367
Subtotal			<u>6,255,622</u>
Nonoperating capital grant			
C8CCS27604-01-00	05/01/2016 - 04/30/19		<u>14,581</u>
Total			<u>\$ 6,270,203</u>

Zufall Health Center, Inc.
Notes to Financial Statements
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12. Net Assets With Donor Restrictions

Net assets with donor restrictions at December 31, 2019 are as follows:

	<u>Balance</u> <u>1/1/2019</u>	<u>Additions</u>	<u>Released</u> <u>from</u> <u>Restrictions</u>	<u>Balance</u> <u>12/31/2019</u>
Subject to expenditure for specified purpose:				
Community Foundation of New Jersey				
Mental Illness	\$ 45,000		\$ 45,000	
Dental	34,411		34,411	
Johnson & Johnson Dental	45,000		45,000	
Vision for Portable Equipment	13,000		13,000	
Healthcare Foundation of New Jersey				
Technology Integration Program	9,373		9,373	
Horizon Foundation		\$ 62,500	33,052	\$ 29,448
Essex County Dental	1,239		1,239	
West Orange Capital Campaign	3,881		3,881	
Partners for Health				
Improving Healthcare to Homeless	19,170	20,000	19,170	20,000
Veterans Day Event		88,414	74,530	13,884
CFNJ Nursing Preceptorship		20,000		20,000
Dental Equipment for West Orange		25,000		25,000
Rural Community Development		5,000		5,000
NJHC Diabetes Intervention	31,356	60,165	91,521	
Breast Cancer Survivor Group	12,671	13,000	8,273	17,398
Improving Patient Engagement		10,000		10,000
NJ Screen		99,429	99,429	
FM Kirby Foundation		25,000		25,000
Cigna - Assisting the Homeless		100,000		100,000
Total	<u>\$ 215,101</u>	<u>\$ 528,508</u>	<u>\$ 477,879</u>	<u>\$ 265,730</u>

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13. Contract Services and Contributions

During December 31, 2019 contract services and contributions revenue consist of the following:

	Without Donor Restrictions	With Donor Restrictions	Total
New Jersey Department of Health & Senior Services:			
Cancer Education & Early Detection	\$ 378,497		\$ 378,497
Children's Oral Health	214,231		214,231
HIV/AIDS Navigator	137,249		137,249
Heart Disease and Stroke Prevention	44,764		44,764
New Jersey Family Planning League:			
Family Planning Services	801,741		801,741
Title X	323,622		323,622
City of Newark:			
Ryan White Part A	174,540		174,540
County of Middlesex Department of Community Services:			
Ryan White Middlesex-Somerset-Hunterdon Transitional Grant Area	316,360		316,360
New Jersey Department of Children & Families:			
Sexual Assault and Rape Counseling	223,180		223,180
Adolescent Pregnancy Prevention Initiative	64,709		64,709
New Jersey Department of Law & Public Safety:			
Crime Victim Assistance	68,419		68,419
Morris County Department of Human Services:			
Intensive Senior Support	61,500		61,500
New Jersey Department of State:			
Health Centers AmeriCorps	145,973		145,973
Horizon Foundation		\$ 62,500	62,500
County of Morris:			
Community Development Block Grant	41,393		41,393
Partners for Health:			
Improving Healthcare to Homeless		20,000	20,000
Veterans Day Event		88,414	88,414
NJHC Diabetes Intervention		60,165	60,165
NJ Screen		99,429	99,429
United States Department of Agriculture:			
SNAP-Ed	631,913		631,913
Other	169,428	198,000	367,428
Total	<u>\$ 3,797,519</u>	<u>\$ 528,508</u>	<u>\$ 4,326,027</u>

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14. Patient Services Revenue, Net

The Center recognizes patient service revenue associated with services provided to patients who have Medicaid, Medicare, third party payor and managed care plans coverage on the basis of contractual rates for services rendered. 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. Charity care services are computed using a sliding fee scale based on patient income and family size. 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. These amounts are included in the net patient services revenue as implicit price concessions and taken into account at the time the revenue is recorded. Additional provisions for bad debts on unexpected uncollectible amounts are recorded in the statement of functional expenses as bad debt expense.

Patient service revenue, net of contractual allowances and discounts and including any implicit price concessions (not including any provision for bad debts), recognized during the year ended December 31, 2019 from the Center's major payor sources, is as follows:

	<u>2019</u>
Medicaid (including Medicaid managed care)	\$ 3,441,289
Medicare	491,538
Self-Pay	2,420,117
Private Insurance	610,129
New Jersey Managed Care Wraparound	3,125,107
New Jersey Uncompensated Care	<u>5,222,503</u>
Total	<u>\$ 15,310,683</u>

Medicaid and Medicare revenue is reimbursed to the Center at the net reimbursement rates determined by each program. Reimbursement rates are subject to revisions under the provision of reimbursement regulations. Adjustments for such revisions are recognized in the fiscal year incurred.

15. Retirement Plan

The Zufall Health Center, Inc. Employees' Retirement Plan (the "Plan") is a defined contribution plan established on June 1, 2008. It is available to substantially all employees of the Center who have attained 21 years of age and who have completed one year of eligible service with a minimum of 1,000 hours of service. Contributions may be invested in available investment funds elected by the employee. The Plan has met the requirements of the Employee Retirement Income Security Act of 1974 ("ERISA") and is therefore subject to the provisions of ERISA. The Plan provides for benefit distributions to Plan participants or their beneficiaries upon the participant's retirement, termination of employment or death. Any participant may apply to borrow all or part of his or her vested account balance subject to criteria in the Plan set by Internal Revenue Service regulations and limits and the approval of the Plan administrator. Participants are fully vested after five years of service in the employer match but forfeit all of the employer contributions and earnings thereon if the participant leaves with less than two years of service. Pension expense for 2019 amounted to \$353,105; the expense is included in salaries and related taxes and fringe benefits in the statement of activities and changes in net assets.

Effective January 1, 2012, the Center established a Section 162 Bonus Plan which provides eligible employees discretionary bonuses intended to fund certain life insurance benefits. The bonus plan is exempt from ERISA requirements. Employees become eligible to participate on the first day of the plan year upon completing 3 years of service on the 30th of September of the same plan year. The Center's discretionary contribution to the bonus plan shall be used to pay for the premium on the participating employees' life insurance policy. The Center contributed \$0 to the bonus plan for the year ended December 31, 2019 and accordingly there is no expense included in payroll taxes and fringe benefits in the statement of functional expenses.

During the year ended December 31, 2019 the Center contributed \$1,500 to a 457 deferred compensation pension plan which they entered into during the year.

16. Commitments and Contingencies

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

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

The healthcare industry is subject to voluminous and complex laws and regulations of federal, state and local governments. Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government healthcare program participation requirements, reimbursement laws and regulations, anti-kickback and anti-referral laws, and false claims prohibitions. In recent years, government activity has increased with respect to investigations and allegations concerning possible violations of reimbursement, false claims, anti-kickback and anti-referral statutes and regulation by healthcare providers.

The Center believes that it is in material compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. Upon audit, if discrepancies are discovered, the Center could be held responsible for refunding the amount in question.

The Center is involved in claims and legal actions in the ordinary course of business. Management is of the opinion that the ultimate outcome of these matters will not have a material adverse impact on the financial position, results of operations or cash flows of the Center.

Zufall Health Center, Inc.
Notes to Financial Statements
Year Ended December 31, 2019

The Center entered into various lease agreements for the use of space, vehicles and office equipment which have been classified as operating leases and expire through December 31, 2024. As of December 31, 2019, the Center is obligated to make future minimum payments in each of the years subsequent to 2019 and thereafter as follows:

2020	\$	385,653
2021		391,037
2022		396,404
2023		406,280
2024		408,504
	\$	<u>1,987,878</u>

Rent expense under these operating leases was \$333,470 for the year ended December 31, 2019.

17. Medicaid Lawsuit Settlement

On January 24, 2012, with the approval of its Board of Directors, NJPCA filed a lawsuit in federal district court in New Jersey against the state of New Jersey (the "State") on behalf of its member centers, captioned *New Jersey Primary Care Association, Inc. v. State of New Jersey Dept. of Human Services et al.*, Case No. 3:13-cv-00413 (D. N.J.) (the "Lawsuit"). Upon settlement of the lawsuit, the State agreed to make a payment of \$20 million to resolve all unpaid Medicaid claims with dates of service prior to January 1, 2019. The Center shall receive its share of the Pre-2019 Settlement Payment of which \$553,392 is included in other revenue in the statement of activities for the year ended December 31, 2019 and other receivable in the statement of financial position at December 31, 2019.

18. Subsequent Events

Management has reviewed subsequent events and transactions that occurred after December 31, 2019 through the date of the independent auditors' report and the date the financial statements were available to be issued, June 23, 2020. The financial statements include all events or transactions, including estimates, required to be recognized in accordance with generally accepted accounting principles. Management has determined that there are no nonrecognized subsequent events that require additional disclosure. However, the coronavirus disease global pandemic, ("COVID-19"), has created stock market volatility, economic uncertainties and other uncertainties that may have an impact on the Center's operations, financial statements and cash flows in the future. The extent of the impact of COVID-19 on the Center's operational and financial performance will depend on certain developments, including the duration and extent of the pandemic and mitigation measures implemented in the United States and New Jersey, impact on our donors, employees and suppliers all of which are uncertain and cannot be predicted. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration and impact. Therefore, the related financial impact and duration cannot be reasonably estimated at this time.

Zufall Health Center, Inc.
Notes to Financial Statements
Year Ended December 31, 2019

In April 2020, the Center was approved and received funding in the amount of \$3,119,360 under the Paycheck Protection Program which was created by The Coronavirus Aid, Relief, and Economic Security (CARES) Act passed by the United States of America Congress. Certain amounts may be forgiven if the Center utilizes these funds in accordance with guidelines outlined under the program. Management is currently evaluating the use of these funds; therefore, the related financial impact and potential amount expected to be repaid, if any, cannot be reasonably estimated at this time.

Also in April 2020, upon maturity of the lines of credit amounting to \$635,200 with Fulton Bank, these amounts were subsequently refinanced through TriState Capital.

SUPPLEMENTARY INFORMATION

Zufall Health Center, Inc.
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2019

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Federal CFDA	Pass-through Grantor's Number	Current Year Expenditures	Passed Through to Subrecipients
U.S. Department of Health and Human Services				
Direct:				
Health Center Program Cluster:				
Consolidated Health Centers (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care Centers)	93.224	N/A	\$ 1,399,654	
Affordable Care Act (ACA) Grants for New and Expanded Services	93.527	N/A	4,543,899	
Services under the Health Center Program				
Total Health Center Program Cluster			5,943,553	-
Ryan White Title III HIV Capacity Development and Planning Grants	93.918	N/A	97,375	
Grants To Provide Outpatient Early Intervention Services with Respect To HIV Disease	93.918	N/A	229,275	
Passed through City of New Jersey Family Planning League				
Family Planning Services	93.217	FPHPA 006335-01	97,507	
Family Planning Services	93.217	FPHPA 026249-02-00	226,115	
			323,622	-
Passed through New Jersey Department of Children and Families				
Injury Prevention and Control Research and State and Community Based Programs	93.136	19XETW	13,191	
Preventative Health and Health Services Block Grant funded solely with Prevention and Public Health Funds (PPHF)	93.758	19XETW	8,240	
TANF Cluster:				
Temporary Assistance for Needy Families	93.558	19BGTP	64,709	
Passed through City of Newark, Department of Child and Family Well-Being				
HIV Emergency Relief Project Grants	93.914	Not available	174,540	
Passed through Middlesex County Department of Community Services				
HIV Emergency Relief Project Grants	93.914	Not available	316,360	
			490,900	-
Passed through State of New Jersey Department of Health				
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	DCHS20CED015	36,270	
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	DCHS19CED021	15,486	
			51,756	-
Preventive Health and Health Services Block Grant	93.758	DFHS20H&S004	17,764	
Preventive Health and Health Services Block Grant	93.758	DFHS19H&S003	27,000	
			44,764	-
Passed through Morris County Department of Human Services				
Aging Cluster:				
Special Programs for the Aging Title III, Part B Grants for Supportive Services and Senior Centers	93.044	APC 18-14-102	61,500	
Total U.S. Department of Health and Human Services			7,328,885	-
Corporation for National and Community Service				
Passed through State of New Jersey Department of State				
Americorps	94.006	AC20Form-009	45,185	
Passed through State of New Jersey Department of State				
Americorps	94.006	AC19Form-009	100,788	
Total Corporation for National and Community Service			145,973	-
U.S. Department of Justice				
Passed through New Jersey Department of Law and Public Safety				
Division of Criminal Justice				
Sexual Assault Services Formula Program	16.017	19XETW	12,917	
Crime Victim Assistance	16.575	VAG-173-18	68,419	
Violence Against Women Formula Grants	16.588	VAWA-80-16	11,332	
Total U.S. Department of Justice			92,668	-
U.S. Department of Housing and Urban Development Office of Community Planning and Development				
Passed through County of Morris				
CDBG Entitlement Grants Cluster:				
Community Development Block Grants/Entitlement Grants	14.218	B-15-UC-34-0105	41,393	
Total U.S. Department of Housing and Urban Development Office of Community Planning and Development			41,393	-
U.S. Department of Agriculture				
Passed through State of New Jersey Department of Health				
SNAP Cluster:				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	DFHS19SNA003	631,913	
Total U.S. Department of Agriculture			631,913	-
Total Federal Awards			\$ 8,240,832	\$ -

See Notes to Schedules of Expenditures of Federal and State Awards

Zufall Health Center, Inc.
Schedule of Expenditures of State Awards
For the Year Ended December 31, 2019

State Grantor / Pass-Through Grantor / Program Title	Grant Number	Grant Period	Grant Award	Current Year Expenditures
State of New Jersey Department of Health:				
Preventive and Primary Care Program	05-2192-CHS-N-0	*	*	*
Maternal Wraparound Program	19-837-ADA-0	10/01/18 - 12/31/19	\$ 295,354	\$ 245,623
New Jersey Cancer Education and Early Detection	DCCHS20CED015	07/01/19 - 06/30/20	367,392	146,502
New Jersey Cancer Education and Early Detection	DCCHS19CED021	07/01/18 - 06/30/19	363,834	231,995
Children's Oral Health	DCCHS20ORL002	07/01/19 - 06/30/20	225,000	91,643
Children's Oral Health	DCCHS19ORL002	07/01/18 - 06/30/19	225,000	122,588
HIV/AIDS - Linkage to Care (Navigator)	AIDS20NAV006	07/01/19 - 06/30/20	144,258	65,857
HIV/AIDS Navigator	AIDS19NAV006	07/01/18 - 06/30/19	144,258	71,392
Passed through City of New Jersey Family Planning League				
Family Planning Services	DFHS19FAM002	01/01/19 - 12/31/19	<u>478,119</u>	<u>478,119</u>
Total State of New Jersey Department of Health			<u>2,243,215</u>	<u>1,453,719</u>
State of New Jersey Department of Children and Families:				
Sexual Assault and Rape Consulting	19XETW	01/01/19 - 12/31/19	<u>242,684</u>	<u>223,180</u>
Total State of New Jersey Department of Children and Families			<u>242,684</u>	<u>223,180</u>
Total State Awards			<u>\$ 2,485,899</u>	<u>\$ 1,676,899</u>

*See Note 6 to Schedule of Expenditures of Federal and State Awards.

Zufall Health Center, Inc.
Notes to the Schedules of Expenditures of Federal and State Awards
For the Year Ended December 31, 2019

1. Basis of Presentation

The accompanying schedules of expenditures of federal and state awards presents the activity of all financial assistance programs of Zufall Health Center, Inc. The information in these schedules 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* (Uniform Guidance) and the New Jersey State Circular 15-08-OMB, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*. Therefore, some amounts presented in these schedules may differ from amounts presented in, or used in the preparation of the basic financial statements. All federal and state awards received directly from federal and state agencies are included in the schedules of expenditures of federal and state awards. Because these schedules present only a selected portion of the operations of the Center, they are not intended to and do not present the financial position, changes in net assets, or cash flows of the Center.

2. Summary of Significant Accounting Principles

The accompanying schedules of expenditures of federal and state awards are presented using the accrual basis of accounting which is described in Note 2 to the financial statements. 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. Pass-through entity identifying numbers are presented where available.

3. Sub-recipients

Of the federal expenditures presented in the schedules, the Center provided no federal awards to sub-recipients.

4. Indirect Cost Rate

The Center has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

5. Relationship to Federal and State Financial Reports

The regulations and guidelines governing the preparation of federal and state financial reports vary by federal or state agency and among programs administered by the same agency. Accordingly, the amounts reported in the financials do not necessarily agree with the amounts in the accompanying schedules of expenditures of federal and state awards, which is prepared on the accrual basis explained in Note 2.

Zufall Health Center, Inc.
Notes to the Schedules of Expenditures of Federal and State Awards
For the Year Ended December 31, 2019

6. State Financial Assistance

The Center contracted with the State of New Jersey Department of Health (the "Department") to provide health and medical services to the uninsured population under the Uncompensated Primary Care Program. The Department reimburses the Center for uninsured visits at a fixed amount per visit regardless of the actual costs incurred. During the year ended December 31, 2019, funding obligated to the Center by the Department under Letters of Agreement DFHS20FQH16L and DFHS19FQH19L amounted to \$5,169,887 for both years. At December 31, 2019 total amount earned and recognized as revenue under the Letters of Agreement was \$5,222,503.

7 Single Audit – Type A/Type B Program Threshold

Dollar threshold used to distinguish between Type A and Type B programs is \$750,000. Single audit expenditure threshold requirement is \$750,000.

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

To the Board of Trustees of
Zufall Health Center, Inc.
Dover, NJ 07801

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 Zufall Health Center, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 23, 2020.

Internal Control Over Financial Reporting

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

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

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

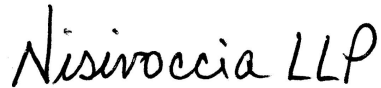
To the Board of Trustees of
Zufall Health Center, Inc.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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.

A handwritten signature in black ink that reads "Nisiroccia LLP". The signature is written in a cursive, flowing style.

Mt. Arlington, New Jersey
June 23, 2020

Independent Auditors' Report on Compliance for Each Major Federal and State Program
and on Internal Control Over Compliance Required by Uniform Guidance and
New Jersey State Circular 15-08-OMB

To the Board of Trustees of
Zufall Health Center, Inc.
Dover, NJ 07801

Report on Compliance for Each Major Federal and State Program

We have audited Zufall Health Center, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and New Jersey State Circular 15-08-OMB *State Grant Compliance Supplement* that could have a direct and material effect on each of Zufall Health Center, Inc.'s major federal and state programs for the year ended December 31, 2019. Zufall Health Center, Inc.'s major federal and state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Zufall Health Center, Inc.'s major federal and state 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) and New Jersey State Circular 15-08-OMB, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*. Those standards and the Uniform Guidance and New Jersey State Circular 15-08-OMB 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 or state program occurred. An audit includes examining, on a test basis, evidence about Zufall Health Center, Inc.'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 and state program. However, our audit does not provide a legal determination of Zufall Health Center, Inc.'s compliance.

To the Board of Trustees of
Zufall Health Center, Inc.

Opinion on Each Major Federal and State Program

In our opinion, Zufall Health Center, Inc. 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 and state programs for the year ended December 31, 2019.

Report on Internal Control Over Compliance

Management of Zufall Health Center, Inc. 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 Zufall Health Center, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal and state 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 and state program and to test and report on internal control over compliance in accordance with the Uniform Guidance and New Jersey State Circular 15-08-OMB, 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 Zufall Health Center, Inc.'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 or state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or 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 or state 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 or state 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 and New Jersey State Circular 15-08-OMB. Accordingly, this report is not suitable for any other purpose.

Nisiroccia LLP

Mt. Arlington, New Jersey
June 23, 2020

**Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2019**

I. Summary of Auditor's Results

Financial statements

The auditors' report issued on the financial statements of Zufall Health Center, Inc. was an unmodified opinion.

Internal control over financial reporting:

- Material weaknesses identified? _____ Yes X No
- Significant deficiencies identified? _____ Yes X None reported

Noncompliance material to financial statements noted? _____ Yes X No

Internal control over major programs:

- Material weaknesses identified? _____ Yes X No
- Significant deficiencies identified? _____ Yes X None reported

The auditors' report issued on compliance for major programs was an unmodified opinion.

Any audit findings disclosed that are required to be reported in accordance with Section 200.516(a) of the Uniform Guidance and New Jersey State Circular 15-08-OMB _____ Yes X No

The following federal programs were designated as major programs:

<u>Federal Agency/Pass-through Pass-through Entity</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
U.S. Department of Health and Human Services: Health Center Program Cluster	93.224 / 93.527	\$ 5,943,553
U.S. Department of Agriculture: Passed through State of New Jersey Department of Health SNAP Cluster: State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	\$ 631,913

**Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2019**

The following state programs were designated as major programs:

<u>State Agency</u>	<u>State Contract Number</u>	<u>Expenditures</u>
State of New Jersey Department of Health and Senior Services:		
Preventive and Primary Care Program	05-2192-CHS-N-0	*
Maternal Wraparound Program	19-837-ADA-0	\$ 245,623
Dollar threshold used to distinguish between Type A and Type B programs	<u>\$ 750,000</u>	
Auditee qualified as a low-risk auditee?	<u>X</u> Yes	<u> </u> No

II. Financial Statement Findings

The audit did not disclose any findings required to be reported under Generally Accepted Auditing Standards.
No significant deficiencies relating to the audit of the financial statements are reported.

III. Federal Award Findings and Questioned Costs

The audit did not disclose any finding or questioned costs for major federal and state awards as defined in the Uniform Guidance and New Jersey State Circular 15-08-OMB State Compliance Supplement.

*See Note 6 to Schedule of Expenditures of Federal and State Awards.

Zufall Health Center, Inc.
Summary Schedule of Prior Audit Findings
For the Year Ended December 31, 2019

Status of Prior Year Findings:

There were no prior year audit findings.

Zufall Health Center, Inc.
Schedule of Disbursements by Grant
For the Year Ended December 31, 2019

Award: New Jersey Cancer Education and Early Detection
Grant Year: July 1, 2019 - June 30, 2020
CFDA 93.283/46.93991
Grant Number: DCHS20CED015

Category	(Unaudited) Final Budget	Current Year 07/01/2019- 12/31/2019	Total Expenditures	Final Questioned Costs
Personnel:				
Salaries/Wages	\$ 97,619	\$ 48,000	\$ 48,000	
Fringe Benefits	12,935	6,358	6,358	
Total Personnel:	110,554	54,358	54,358	
Other Cost Categories:				
Office Expense/Related Cost	1,446	-	-	
Program Expense/Related Cost	64,886	15,864	15,864	
Travel, Conferences and Meetings	156	50	50	
Subgrants	190,350	112,501	112,501	
Total Direct Costs	256,838	128,415	128,415	
Indirect Costs				
Total Costs	367,392	182,773	182,773	
Less program income				
NET TOTAL COSTS	\$ 367,392	\$ 182,773	\$ 182,773	

Zufall Health Center, Inc.
Schedule of Disbursements by Grant
For the Year Ended December 31, 2019

Award: New Jersey Cancer Education and Early Detection
Grant Year: July 1, 2018 - June 30, 2019
CFDA 93.283/46.93991
Grant Number: DCHS19CED021

Category	(Unaudited) Final Budget	Current Year 01/01/2019- 06/30/2019	Total Expenditures	Final Questioned Costs
Personnel:				
Salaries/Wages	\$ 110,008	\$ 69,151	\$ 69,151	
Fringe Benefits	23,103	14,522	14,522	
Total Personnel:	133,111	83,673	83,673	
Other Cost Categories:				
Office Expense/Related Cost				-
Program Expense/Related Cost	51,719	30,133	30,133	
Travel, Conferences and Meetings	156			-
Subgrants	178,848	133,675	133,675	
Total Direct Costs	230,723	163,808	163,808	
Indirect Costs				
Total Costs	363,834	247,481	247,481	
Less program income				
NET TOTAL COSTS	\$ 363,834	\$ 247,481	\$ 247,481	

Zufall Health Center, Inc.
Schedule of Disbursements by Grant
For the Year Ended December 31, 2019

Award: Children's Oral Health 2020
Grant Year: July 1, 2019-June 30, 2020
Grant Number: DCHS20ORL002

Category	(Unaudited) Final Budget	Current Year 07/01/2019-12/31/2019	Total Expenditures	Final Questioned Costs
Personnel:				
Salaries/Wages	\$ 167,789	\$ 67,078	\$ 67,078	
Fringe Benefits	31,661	13,255	13,255	
Total Personnel:	199,450	80,333	80,333	
Other Cost Categories:				
Supplies - Northern Region (Dover)	2,505	2,505	2,505	
Supplies - Central Region (Somerville)	2,393	86	86	
Postage - Northern Region (Dover)	1,000	72	72	
Postage - Central Region (Somerville)	2,500	55	55	
Travel - Northern Region (Dover)	1,581	1,581	1,581	
Travel - Central Region (Somerville)	2,906	796	796	
Facility Cost	12,665	6,215	6,215	
Total Direct Costs	225,000	91,643	91,643	
Indirect Costs				
Total Costs	225,000	91,643	91,643	
Less program income				
NET TOTAL COSTS	\$ 225,000	\$ 91,643	\$ 91,643	

Zufall Health Center, Inc.
Schedule of Disbursements by Grant
For the Year Ended December 31, 2019

Award: Children's Oral Health 2019
Grant Year: July 1, 2018-June 30, 2019
Grant Number: DCHS19ORL002

Category	(Unaudited) Final Budget	Current Year 01/01/2019- 06/30/2019	Total Expenditures	Final Questioned Costs
Personnel:				
Salaries/Wages	\$ 163,171	\$ 84,684	\$ 84,684	
Fringe Benefits	34,266	18,834	18,834	
Total Personnel:	197,437	103,518	103,518	
Other Cost Categories:				
Office Expense/Related Cost	11,060	5,832	5,832	
Program Expense/Related Cost	7,303	7,483	7,483	
Travel, Conferences and Meetings	5,700	3,310	3,310	
Other Cost: Storage	3,500	2,445	2,445	
Total Direct Costs	225,000	122,588	122,588	
Indirect Costs				
Total Costs	225,000	122,588	122,588	
Less program income				
NET TOTAL COSTS	\$ 225,000	\$ 122,588	\$ 122,588	

Zufall Health Center, Inc.
Schedule of Disbursements by Grant
For the Year Ended December 31, 2019

Award: TANF (Adolescent Pregnancy Prevention Initiative)
Grant Year: 01/01/2019-12/31/2019
Grant Number: 19BGTP

Category	(Unaudited) Final Budget	Current Year Expenditures 01/01/2019- 12/31/2019	Total Expenditures	Final Questioned Costs
Personnel:				
Salaries/Wages	\$ 42,260	\$ 39,957	\$ 39,957	
Fringe Benefits	8,875	8,391	8,391	
Total Personnel:	51,135	48,348	48,348	
Other Cost Categories:				
Consultants and Professional Fees	325	310	310	
Materials & Supplies	10,618	5,376	5,376	
Other	4,523	10,675	10,675	
Total Direct Costs	66,601	64,709	64,709	
Indirect Costs				
Total Costs	66,601	64,709	64,709	
Less program income				
NET TOTAL COSTS	\$ 66,601	\$ 64,709	\$ 64,709	

Zufall Health Center, Inc.
Schedule of Disbursements by Grant
For the Year Ended December 31, 2019

Award: Title X: New Jersey Family Planning League
Grant Year: 04/01/2019-03/31/2020
Grant Number: FPHPA026249-02-00

Category	PriorYear Expenditures 01/01/2019- 03/31/2019	Current Year Expenditures 04/01/2019- 12/31/2019	Total Expenditures	Final Questioned Costs
Personnel:				
Salaries/Wages	\$ 108,726	\$ 336,190	\$ 444,916	
Fringe Benefits	22,832	70,600	93,432	
Total Personnel:	131,558	406,790	538,348	
Other Cost Categories:				
Supplies	16,911	94,080	110,991	
Contractual	-	-	-	
Other	12,321	36,963	49,284	
Total Direct Costs	160,790	537,833	698,623	
Less Program Income	63,283	311,718	375,001	
Total Costs	\$ 97,507	\$ 226,115	\$ 323,622	

Zufall Health Center, Inc.
Schedule of Disbursements by Grant
For the Year Ended December 31, 2019

Award Grant Year Grant Number	Sexual Assault and Rape Counseling January 1, 2019 - December 31, 2019 19XETW			
Category	(Unaudited) Final Budget	Current Year Expenditures	Total Expenditures	Questioned Costs
Personnel				
Salaries	\$ 153,870	\$ 148,895	\$ 148,895	
Fringe benefits	31,492	27,804	27,804	
Total personnel	185,362	176,699	176,699	
Other cost categories				
Consultants	3,715	3,566	3,566	
Materials & Supplies	23,285	19,894	19,894	
Facility Costs	-	-	-	
Specific Assistance to Clients	-	-	-	
Other	30,322	23,021	23,021	
Total operating costs	242,684	223,180	223,180	
Equipment	-	-	-	
Net total costs	\$ 242,684	\$ 223,180	\$ 223,180	

Zufall Health Center, Inc.
Schedule of Disbursements by Grant
For the Year Ended December 31, 2019

Award: HIV/AIDS - Linkage to Care (Navigator) 2019
Grant Year: July 1, 2019 - June 30, 2020
Grant Number: AIDS20NAV006

Category	(Unaudited) Final Budget	Current Year Expenditures 07/01/2019- 12/31/2019	Total Expenditures	Final Questioned Costs
Personnel:				
Salaries/Wages	\$ 112,778	\$ 49,715	\$ 49,715	
Fringe Benefits	23,683	10,430	10,430	
Total Personnel:	136,461	60,145	60,145	
Other Cost Categories:				
Equipment Cell phone for Linkage to Care	1,279	649	649	
Professional Services Agreements	2,000	1,000	1,000	
Patient Medical Transportation for Linkage	1,470	1,267	1,267	
Zufall Incentives Program Strategy	1,197	946	946	
Staff travel	1,851	1,850	1,850	
Total Direct Costs	144,258	65,857	65,857	
Indirect Costs				
Total Costs	144,258	65,857	65,857	
Less program income				
NET TOTAL COSTS	\$ 144,258	\$ 65,857	\$ 65,857	

Zufall Health Center, Inc.
Schedule of Disbursements by Grant
For the Year Ended December 31, 2019

Award: HIV/AIDS Navigator 2019
Grant Year: July 1, 2018 - June 30, 2019
Grant Number: AIDS19NAV006

Category	(Unaudited) Final Budget	Current Year Expenditures 01/01/2019-06/30/2019	Total Expenditures	Final Questioned Costs
Personnel:				
Salaries/Wages	\$ 115,900	\$ 57,661	\$ 57,661	
Fringe Benefits	23,289	11,518	11,518	
Total Personnel:	139,189	69,179	69,179	
Other Cost Categories:				
Patient Medical Transportation	2,100	381	381	
Prevention Incentives	1,500	1,500	1,500	
Staff travel	1,469	332	332	
Total Direct Costs	144,258	71,392	71,392	
Indirect Costs				
Total Costs	144,258	71,392	71,392	
Less program income				
NET TOTAL COSTS	\$ 144,258	\$ 71,392	\$ 71,392	

**Zufall Health Center, Inc.
Schedule of Disbursements by Grant
For the Year Ended December 31, 2019**

Award: NJ Heart & Stroke 2019
Grant Year: 07/01/2019-06/30/2020
Grant Number: DFHS20H&S004

Category	(Unaudited) Final Budget	Current Year Expenditures 07/01/2019- 12/31/2020	Total Expenditures	Final Questioned Costs
Personnel:				
Salaries/Wages	\$ 79,212	\$ 8,166	\$ 8,166	
Fringe Benefits	16,598	898	898	
Total Personnel:	95,810	9,064	9,064	
Other Cost Categories:				
Culturally appropriate educational literature	500	500	500	
Program-specific materials	774	700	700	
Patient incentives	2,500	500	500	
Webpage support for patient education	2,000	2,000	2,000	
Transportation	1,000	1,000	1,000	
Laptop	2,000	2,000	2,000	
Tableau software license	2,000	2,000	2,000	
Total Direct Costs	106,584	17,764	17,764	
Less Program Income				
Total Costs	\$ 106,584	\$ 17,764	\$ 17,764	

Zufall Health Center, Inc.
Schedule of Disbursements by Grant
For the Year Ended December 31, 2019

Award: NJ Heart & Stroke 2019
Grant Year: 01/01/2019-06/30/2019
Grant Number: DFHS19H&S003

Category	(Unaudited) Final Budget	Prior Year Expenditures 01/01/2019-06/30/2019	Total Expenditures	Final Questioned Costs
Personnel:				
Salaries/Wages	\$ 17,472	\$ 17,472	\$ 17,472	
Fringe Benefits	3,669	3,669	3,669	
Total Personnel:	21,141	21,141	21,141	
Other Cost Categories:				
Culturally appropriate educational literature	200	993	993	
Exam room posters and models	759	705	705	
Patient incentives	600	1,000	1,000	
Cable - ECG	-	388	388	
Oxymeter	-	59	59	
other	-	104	104	
LYFT for patients	1,700	-	-	
Laptop/tablet	2,000	2,010	2,010	
Cell phone	600	600	600	
Total Direct Costs	27,000	27,000	27,000	
Less Program Income				
Total Costs	\$ 27,000	\$ 27,000	\$ 27,000	