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LA CASA DE SALUD, INC.
Financial Statements
December 31, 2019 and 2018
With Independent Auditor's Reports

ADVISORY TAX AUDIT

La Casa De Salud, Inc.
Table of Contents
December 31, 2019 and 2018

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ADVISORY TAX AUDIT

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors,
La Casa De Salud, Inc.:

Report on the Financial Statements

We have audited the accompanying financial statements of La Casa De Salud, Inc. ("LCDS" or the "Organization"), which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities and changes in net assets (deficit), functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 Organization'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 Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

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

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Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the 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 is not a required part of the financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or 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 schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Emphasis of Matter – Change in Accounting Principle

As discussed in Note 2 and Note 6 to the financial statements, in 2019, the Organization adopted new accounting guidance in accordance with Financial Accounting Standards Board Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers* (Topic 606) and ASU 2018-08, *Clarifying the Scope of the Accounting Guidance for Contributions Made* (Topic 958). Our opinion is not modified with respect to this matter.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2020 on our consideration of LCDS's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of LCDS's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering LCDS's internal control over financial reporting and compliance.

WithumSmith+Brown, PC

November 10, 2020

La Casa De Salud, Inc.
Statements of Financial Position
December 31, 2019 and 2018

	2019	2018
Assets		
Current assets		
Cash and cash equivalents	$ 2,886,533	$ 1,853,390
Patient services receivable, net	237,030	182,296
Grants and contracts receivable, net	1,477,959	1,819,859
Accounts receivable - other	711,443	484,425
Prepaid expenses	130,825	87,657
Total current assets	5,443,790	4,427,627
Property and equipment, net	6,099,375	6,253,998
Security deposits	20,675	22,850
Due from related parties	607,564	251,292
Total assets	$ 12,171,404	$ 10,955,767
Liabilities and Net Assets		
Current liabilities		
Current portion of long-term debt	$ 167,284	$ 160,399
Accounts payable	1,259,642	1,126,642
Accrued expenses	280,356	188,371
Accrued payroll	622,588	628,219
Other liabilities	411,692	426,877
Total current liabilities	2,741,562	2,530,508
Long-term debt, less current portion and unamortized debt issuance costs	5,388,572	5,520,637
Due to related parties	1,142,857	1,817,857
Total liabilities	9,272,991	9,869,002
Net assets	2,898,413	1,086,765
Total liabilities and net assets	$ 12,171,404	$ 10,955,767

The Notes to Financial Statements are an integral part of these statements.

La Casa De Salud, Inc.
Statements of Activities and Changes in Net Assets (Deficit)
Years Ended December 31, 2019 and 2018

	2019	2018
Operating revenue		
Net patient services revenue	$ 6,716,506	$ 5,489,157
Grant and contract income	4,660,963	6,474,498
Pharmacy income	5,207,233	4,081,745
Rental income	200,730	212,891
Other income	106,180	96,947
	16,891,612	16,355,238
Operating expenses		
Program services	14,058,438	13,546,619
Supporting services	1,021,526	1,046,564
	15,079,964	14,593,183
Changes in net assets (deficit) without donor restrictions	1,811,648	1,762,055
Net assets (deficit) without donor restrictions		
Beginning of year	1,086,765	(675,290)
End of year	$ 2,898,413	$ 1,086,765

The Notes to Financial Statements are an integral part of these statements.

La Casa De Salud, Inc.
Statements of Functional Expenses
Years Ended December 31, 2019 and 2018

	2019			2018		
	Program Services	General and Administrative	Total	Program Services	General and Administrative	Total
Salaries and wages	$ 5,092,265	$ 125,350	$ 5,217,615	$ 5,490,594	$ 113,642	$ 5,604,236
Employee benefits	1,159,056	28,501	1,187,557	1,229,077	-	1,229,077
Consultant services	1,346,038	603,789	1,949,827	1,229,134	614,237	1,843,371
Professional services	1,121,581	13,050	1,134,631	769,190	55,950	825,140
Rent	652,303	-	652,303	730,474	-	730,474
Mortgage interest	282,303	-	282,303	289,628	-	289,628
Repairs and maintenance	119,164	-	119,164	112,376	-	112,376
Utilities	124,506	-	124,506	121,474	-	121,474
Transportation	20,598	-	20,598	38,435	-	38,435
Accounting	-	52,726	52,726	-	53,843	53,843
Insurance	45,672	28,132	73,804	362,625	21,595	384,220
Furniture and equipment	36,084	-	36,084	73,491	-	73,491
Software and internal network	148,268	-	148,268	96,679	12,567	109,246
Pharmaceuticals, tests and supplies	3,168,380	815	3,169,195	2,431,956	-	2,431,956
Security services	218,453	-	218,453	170,114	-	170,114
Recreational activities	12,173	-	12,173	11,334	-	11,334
Telephone	130,614	-	130,614	94,211	-	94,211
Bad debts	-	135,412	135,412	-	107,582	107,582
Miscellaneous expenses	175,566	33,751	209,317	92,127	67,148	159,275
Depreciation and amortization	205,414	-	205,414	203,700	-	203,700
	$ 14,058,438	$ 1,021,526	$ 15,079,964	$ 13,546,619	$ 1,046,564	$ 14,593,183

The Notes to Financial Statements are an integral part of these statements.

La Casa De Salud, Inc.
Statements of Cash Flows
Years Ended December 31, 2019 and 2018

	2019	2018
Operating activities		
Changes in net assets without donor restrictions	$ 1,811,648	$ 1,762,055
Adjustments to reconcile changes in net assets without donor restrictions to net cash provided by operating activities		
Bad debt expense	80,299	105,168
Depreciation and amortization	205,413	203,700
Interest expense	35,386	35,385
Change in		
Patient services receivable	(135,033)	(186,156)
Grants and contracts receivable	341,900	(353,059)
Accounts receivable - other	(227,018)	(208,287)
Prepaid expenses	(43,168)	(15,782)
Security deposits	2,175	(950)
Accounts payable	133,000	34,565
Accrued expenses	91,985	138,182
Accrued payroll	(5,631)	249,528
Other liabilities	(15,185)	183,313
Net cash provided by operating activities	2,275,771	1,947,662
Investing activities		
Purchase of property and equipment	(50,790)	(133,751)
Net change in amounts due from related parties	(356,272)	(167,115)
Net cash used in investing activities	(407,062)	(300,866)
Financing activities		
Principal payments of long term debt	(160,566)	(153,961)
Net change in amounts due to related parties	(675,000)	(600,000)
Net cash used in financing activities	(835,566)	(753,961)
Net change in cash and cash equivalents	1,033,143	892,835
Cash and cash equivalents		
Beginning of year	1,853,390	960,555
End of year	$ 2,886,533	$ 1,853,390
Supplemental disclosure of cash flow information		
Cash paid during the year for		
Interest	$ 246,917	$ 254,243

The Notes to Financial Statements are an integral part of these statements.

1. ORGANIZATION AND BASIS OF PRESENTATION

Organization

La Casa de Salud, Inc. ("LCDS" or the "Organization") is a diagnostic and treatment center licensed under Section 28A of the New York State Department of Health. The Organization provides the community with services such as primary health care, pediatrics, podiatry, dental, gynecological, rehabilitative and mental health services.

Basis of Presentation

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America which require the Organization to report information regarding its financial position and activities in accordance to the following net asset classifications.

Net assets without donor restrictions: Net assets that are not subject to donor imposed restrictions and many be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities and changes in net assets (deficit).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant estimates included in these financial statements relate to collectability of patient accounts receivable and the estimate of useful lives of fixed assets.

Cash and Cash Equivalents

LCDS maintains its cash and cash equivalents in bank deposit accounts which, at times, may exceed Federally-insured limits. LCDS has not experienced any losses in such accounts. All highly-liquid investments with maturities of three months or less when purchased are considered to be cash equivalents.

Patient Services Receivable

The collection of receivables from third-party payors and patients is LCDS's primary source of cash for operations and is critical to its operating performance. The primary collection risks relate to uninsured patient accounts and patient accounts for which the primary insurance payor has paid, but patient responsibility amounts (deductibles and copayments) remain outstanding. Patient receivables from third-party payors are carried at a net amount determined by the original charge for the service provided, less an estimate made for explicit price concessions provided to third-party payors. Receivables due directly from patients are carried at the original charge for the service provided less implicit price concessions determined by considering amounts covered by third party payors, LCDS's charity care policy and patients' ability to pay based on historical experience.

Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowances based on implicit price concessions and subsequently each patient's ability to pay. For patient services receivable associated with services provided to patients who have third-party coverage, LCDS analyzes contractually due amounts and provides an allowance for doubtful accounts and adjusts for explicit price concessions based on contracts with third party payors. For receivables associated with self-pay patients, including patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill, LCDS adjusts for implicit price concessions in the period of service on the basis of its 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 patient services revenue.

Property and Equipment

Property and equipment are stated at cost. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets ranging from five to forty years. Leasehold improvements are amortized over the shorter of the estimated useful life of the asset or the lease term. Expenditures which substantially increase estimated useful lives 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 changes in net assets. The dollar threshold for all purchases of property and equipment to be capitalized is $5,000.

According to Federal regulations, any property and equipment obtained through Federal funds is subject to a lien by the Federal government. As long as LCDS maintains its tax-exempt status, or so long as the property and equipment is used for its intended purpose, LCDS is not required to reimburse the Federal government. If the stated requirements are not met, LCDS 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

LCDS reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In performing a review for impairment, LCDS 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. LCDS does not believe that any material impairment currently exists related to its long-lived assets.

Deferred Financing Costs

Financing costs incurred in connection with debt financing are capitalized and amortized on a straight-line basis over the life of the related debt obligation and approximates the effective interest method. Amortization of deferred financing costs is included in interest expense. The unamortized balance is used to reduce long term debt on the statements of financial position.

Deferred Revenue

The Organization is a covered entity under the 340B program. Human Resources and Services Administration ("HRSA") which oversees the Ryan White HIV/AIDS Program ("the Program"), has established that any revenue a Ryan White grantee generates through participation in the 340B program is Ryan White program income and is subject to HRSA restrictions on how program income may be spent.

Program income is calculated as the excess of revenues over expenses from dispensing medications using an estimate of the ceiling prices associated with the cost of acquiring the medications rather than historical cost. Program income from the 340B program is recognized as operating revenue in the period when qualifying expenditures are incurred. Program income not spent on qualifying expenditures is recorded as deferred revenue.

Deferred Rent

Rent expense for operating leases, which generally have escalating rentals over the term of the lease, is recorded on the straight-line basis over the lease term. The lease term commences on the earlier of the date when the property is ready for the Organization to take possession or the date when rent payments commence. The difference between rent expense and rent paid is recorded as a deferred rent liability and is included in accrued expenses on the Organization's statements of financial position.

Contributions

Contributions are reported in the period they are received or unconditionally pledged at their fair market value at the time of the pledge. They are recorded as net assets with donor restrictions if the donor places either a time or purpose restriction on the use of the contribution. They are recorded as net assets without donor restrictions if its use is for general Organization purposes or if it is unspecified.

Grants and Contracts

Revenue from government grants and contracts designated for use in specific activities is recognized in the period when the expenditures have been incurred in compliance with the grantor's restrictions. Grants and contract awards for the acquisition of long-lived assets are reported as unrestricted non-operating revenue, in the absence of donor stipulations to the contrary, during the fiscal year in which the assets are acquired. Cash received in excess of revenue recognized is recorded as refundable advances. Unpaid amounts are included in grants and contracts receivable. It is the Organization's policy to charge off uncollectible amounts when management determines they will not be collected.

LCDS is a subcontractor providing healthcare services to the participants of a WeCARE program ("WeCARE") run by another healthcare provider. Under the terms of the contract, LCDS performs assessment and rehabilitative services and recognizes both fixed and variable revenue under the contract. Fixed revenues are recognized monthly over the term of the contract and variable revenues are recognized on a fee for service basis as the services are rendered to WeCARE participants. The contract was terminated in 2018.

Patient Services Revenue

LCDS has agreements with third-party payors that provide for payments to LCDS 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 administrating agencies. These adjustments are accrued on an estimated basis and are adjusted in future periods as final settlements are determined.

LCDS recognizes patient service revenue associated with services provided to patients who have third-party coverage on the basis of contractual rates for the services rendered. For uninsured patients, LCDS 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 LCDS's uninsured patients will be unable to pay for the services provided. Thus, LCDS records a significant adjustment to revenue for implicit price concessions related to uninsured patients in the period the services are provided.

Generally, patients who are covered by third party payors are responsible for related deductibles and coinsurance, which vary in amount. The Organization also provides services to uninsured patients, and offers those uninsured or underinsured patients financial assistance, by either policy or law, from standard charges. The Organization estimates the transaction price for patients with deductibles and coinsurance and from those who are uninsured based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charges by any explicit price concession, financial assistance, and implicit price concessions. Subsequent changes to the estimate of the transaction price are generally recorded as adjustment to net patient service revenue in the period of the change. Subsequent changes that are determined to be the result of adverse change in the patient's ability to pay are recorded as bad debt expense.

LCDS 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.

Pharmacy Income

Pharmacy income is derived from dispensing drugs obtained at discounted prices under the 340B Drug Pricing Program to eligible patients. Income is recognized at the time of dispensing at the gross amount less explicit and implicit price concessions determined as it is determined for patient services revenue.

Functional Expenses

The costs of providing program and other activities has been summarized on functional basis in the statements of activities and changes in net assets (deficit). Accordingly, certain costs have been allocated to the programs benefitted. Such allocations are determined by management on an equitable basis.

The expenses that are allocated or considered for allocation include the following:

Expense	Method of Allocation
Salaries and wages, employee benefits, consultant services	Time and effort
Transportation, accounting, furniture and equipment, pharmaceutical tests and supplies, security services, recreational activities, telephone and depreciation and amortization	Direct
Rent, mortgage interest and utilities	Square footage
All others	Predetermined utilization rate

Tax Status

The Organization is a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code ("IRC") and is exempt from Federal income taxes pursuant to Section 501(a) of the IRC. The Organization is also not subject to state income taxes. LCDS has no unrecognized tax benefits at December 31, 2019. LCDS's Federal and state income tax returns prior to calendar year 2015 are closed and management continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings. LCDS has filed all required payroll tax returns and payroll taxes due have been paid. There were no tax related interest or penalties included in the financial statements presented.

New Accounting Pronouncements Adopted in the Current Year

Revenue from Contracts With Customers

The Financial Accounting Standards Board ("FASB") issued new guidance that created Topic 606, *Revenue from Contracts with Customers*, in the Accounting Standards Codification ("ASC"). ASC 606 supersedes the prior revenue recognition requirements (codified as ASC 605, *Revenue Recognition*).

ASC 606 established a core principle that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The new guidance also added Subtopic 340-40, *Other Assets and Deferred Costs - Contracts with Customers*, which requires the deferral of incremental costs of obtaining a contract with a customer. All references to the "new guidance" include ASC 606 and/or ASC 340-40.

The Organization adopted the requirements of the new guidance utilizing the full retrospective method of transition. Adoption of the new guidance resulted in changes to accounting policies for revenue recognition and patient accounts receivable, as detailed above. The Organization applied the new guidance using the following practical expedients which are provided in ASC 606: completed contracts that began and ended in the same year were not restated; the actual, rather than estimated, consideration was used to determine the transaction price; and the amount of the transaction price allocated to the remaining performance obligations and details of when the Organization expects to recognize that amount as revenue for 2018 was not disclosed. The effects of applying these practical expedients were not significant to the financial statements.

As a result of adopting the new guidance, the majority of what was previously classified as the provision for bad debts is now reflected as an implicit price concession (as defined in ASC 606) and therefore is included as a reduction to net patient service revenue in the accompanying statements of activities and changes in net assets (deficit).

Contribution Revenue Recognition

During 2019, the Organization adopted ASU 2018-08, *Not-for-profit Entities – Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. Key provisions in this guidance include clarification regarding the accounting for grants and contracts as exchange transactions or contributions and improve guidance to better distinguish between conditional and unconditional contributions.

The Organization implemented ASU 2018-08 using full retrospective method of application. The adoption of ASU 2018-08 did not result in any changes to the disclosure of revenue. There were no material changes to the recognition or presentation of revenue as a result of the application of ASU 2018-08. As a result, no cumulative effect adjustment was recorded upon adoption.

Accounting Pronouncements Not Yet Adopted

Lease Transactions

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842), which is effective for fiscal years beginning after December 15, 2021 with early adoption permitted. In addition to expanded disclosure requirements regarding leasing activities, the new standard significantly changes current lessee accounting for operating leases. Under the new standard all lessees will be required to recognize a right-of-use asset and a lease liability in the statement of financial position for all leases of property and equipment, except for certain leases classified as short-term leases. The Organization has not adopted the new standard in these financial statements and is presently evaluating the effect adoption will have on prospective financial statements.

Reclassification

Certain amounts reported in prior years in the financial statements have been reclassified to conform to the current year's presentation. The most significant reclassification is the adoption of ASC 606, *Revenue from Contracts with Customers*, details of which are disclosed Note 1, Note 3 and Note 6.

3. PATIENT SERVICES RECEIVABLE, NET

Patient services receivable, net, consist of the following at December 31:

	2019	2018
Medicaid	$ 81,324	$ 57,908
Medicare	18,752	59,469
Managed Care - Medicare	90,457	103,941
Managed Care - Medicaid	326,731	94,745
Commercial	100,753	69,184
Self-pay	218	9,270
	618,235	394,517
Less: Price concessions		
Explicit price concessions	(294,432)	(101,133)
Implicit price concessions	(6,474)	(5,920)
Allowance for doubtful accounts	(80,299)	(105,168)
	$ 237,030	$ 182,296

LCDS estimates uncollectible accounts and establishes an allowance for doubtful accounts in order to adjust accounts receivable to estimated net realizable value. In evaluating the collectability of accounts receivable, LCDS considers a number of factors, including the age of the accounts, historical collection experience, current economic conditions, and other relevant factors. Significant changes in payor mix or business office operations could have a significant impact on LCDS's results of operations and cash flows.

4. PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31:

	2019	2018
Land	$ 52,502	$ 52,502
Building & improvements	6,755,843	6,755,843
Furniture & equipment	235,132	222,143
Construction in progress	42,551	4,750
	7,086,028	7,035,238
Less: Accumulated depreciation	(986,653)	(781,240)
	$ 6,099,375	$ 6,253,998

Depreciation expense for the years ended December 31, 2019 and 2018 applicable to the above assets amounted to $205,414 and $203,700, respectively.

5. RELATED PARTY TRANSACTIONS

LCDS is a member of the Acacia Network and receives fiscal, management, and other support services from affiliates controlled by a common Board of Directors including, Acacia Network, Inc., Puerto Rican Organization to Motivate, Enlighten and Serve Addicts, Inc. (“Promesa Inc.”), Promesa Administrative Services Organization, Inc. ("PASO"), Promesa Foundation, Inc. (“Foundation”), Community Association of Progressive Dominicans (“ACDP”), Bronx Addiction Integrated Concepts Systems, Inc. ("BASICS"), Hunts Point Multi Service Center, Inc. (“Hunts Point”), United Bronx Parents, Inc. (“UBP”), and Sera Security Services, LLC (“Sera”). In addition, employees of the Organization participate in the pension plan of Promesa, Inc.

The Organization leases its premises from the Foundation, a related party through common board members.

LCDS receives security services at the sites it operates from Sera. Security services expense incurred amounted to $218,453 and $170,114 for the years ended December 31, 2019 and 2018, respectively.

Due from related parties consists of the following at December 31:

	2019	2018
Acacia Network, Inc.	$ 5,207	$ 2,001
ACDP	13,518	7,455
BASICS	20,080	14,017
Green Hope	7,839	214
PASO	209,618	5,025
Promesa Inc.	301,782	188,427
Promesa Foundation	2,654	277
UBP	46,866	33,876
	$ 607,564	$ 251,292

Pursuant to an agreement between LCDS and UBP, the outstanding amount is not due in the next twelve months and accordingly has been classified as a long term liability in the statements of financial position.

6. PATIENT SERVICES REVENUE, NET

Net patient service revenue disaggregated by service type is as follows for the years ended December 31:

	2019	2018
Primary care services	$ 5,865,157	$ 4,720,175
Capitated services	851,349	768,982
	$ 6,716,506	$ 5,489,157

Net patient service revenue disaggregated by payor is as follows for the years ended December 31:

	2019	2018
Medicaid	$ 944,811	$ 676,980
Medicaid Managed Care	5,225,619	4,272,261
Medicare, HMO and Commercial	546,076	539,916
	$ 6,716,506	$ 5,489,157

Details of net patient service revenue is as follows for the years ended December 31:

	2019	2018
Gross charges	$ 13,800,095	$ 11,278,317
Price concessions		
Explicit price concessions	(6,941,917)	(5,664,606)
Implicit price concessions	(141,672)	(124,554)
Net patient service revenue	$ 6,716,506	$ 5,489,157

Medicaid and Medicare revenue is reimbursed to LCDS 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.

7. LONG-TERM DEBT

Long-term debt consists of the following at December 31:

	2019	2018
Banco Popular in the amount of $6,300,000. The loan is payable in 120 monthly installments of $33,989 (principal and interest) at 4.15% per annum based upon a 25-year amortization schedule maturing in August 2026. The land and building are pledged as security for the mortgage.	$ 5,790,284	$ 5,950,850
Less: Unamortized debt financing costs	234,428	269,814
Long-term debt, less unamortized debt financing costs	5,555,856	5,681,036
Less: Current portion	167,284	160,399
Long-term debt less current portion and unamortized financing costs	$ 5,388,572	$ 5,520,637

Future maturities of long-term debt in each of the five years subsequent to December 31 and thereafter, are as follows:

Year	Long Term Debt	Deferred Financing Costs	Net
2020	$ 167,284	$ (35,386)	$ 131,898
2021	174,464	(35,386)	139,078
2022	181,953	(35,386)	146,567
2023	189,763	(35,386)	154,377
2024	197,908	(35,386)	162,522
Thereafter	4,878,912	(57,498)	4,821,414
	$ 5,790,284	$ (234,428)	$ 5,555,856

8. AVAILABILITY AND LIQUIDITY

The following represents the Organization's financial assets at December 31:

	2019	2018
Financial assets		
Cash and cash equivalents	$ 2,886,533	$ 1,853,390
Patient services receivable, net	237,030	182,296
Grants and contracts receivable, net	1,477,959	1,819,859
Accounts receivable, other	711,443	484,425
Total current assets	5,312,965	4,339,970
Amounts available under the 330 grant program	2,900,000	2,400,000
Total financial assets available within one year	$ 8,212,965	$ 6,739,970

None of the financial assets are subject to contractual restrictions that make them unavailable for general expenditure within one year of the statement of financial position date. The Organization has a goal to maintain financial assets, which consist of cash and short term receivables to meet 60 days of normal operating expenses. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities and obligations become due.

9. COMMITMENTS AND CONTINGENCIES

LCDS, in the normal course of business operations, maintains cash balances at financial institutions that may exceed Federal Deposit Insurance Corporation ("FDIC") insurance limits. Management monitors the soundness of the institutions and considers LCDS's risk to be minimal.

The Organization leases its premises from Promesa Foundation, a related party, under a 25-year, non-arm's length lease that commenced on February 1, 2012. Annual rent is $36,300. In September 2015, the Organization took over additional space and agreed to additional rental payments of $2,475 per month. Rent was increased to $10,275 from $6,300 per month effective March 2019 and annual rent for the additional space is $123,300. Rent expense was $123,300 and $111,900 for the years ended December 31, 2019 and 2018, respectively.

In May 2016, the Organization entered a lease with the Gershon Company, under a 10-year, arm's length agreement, for space for the Casa Maria Ryan White Part C early intervention program. The lease calls for annual rent of $480,000 with 2% escalations every two years until 2022 when it becomes an annual escalation. Rent expense for the years ended December 31, 2019 and 2018 was approximately, $521,600 and $485,400, respectively.

The Organization pays rent for the WeCARE program run by another healthcare provider (“Fedcap”) via deductions directly taken from the fixed monthly payment amounts. The lease is held by Fedcap which leases the space at cost to the Organization for the operation of the Article 28 clinic. At the beginning of the year, the program terminated, the lease expired and was not renewed. Rent expense for the years ended December 31, 2019 and 2018 was approximately $-0- and $96,400, respectively.

Future minimum lease payments for the premises are as follows:

2020	$ 644,328
2021	644,328
2022	654,248
2023	664,368
2024 and thereafter	3,210,848
	$ 5,818,120

LCDS maintains its medical malpractice coverage under the Federal Tort Claims Act (“FTCA”). FTCA provides malpractice coverage to eligible PHS-supported programs and applies to LCDS 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.

For the years prior to FTCA coverage, LCDS maintained tail insurance. LCDS maintains GAP insurance for claims that are not covered by FTCA.

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.

The amounts received from the Medicaid and Medicare programs for the years ended December 31, 2019 and 2018 are subject to audit by the New York State Department of Health and National Government Service (the Facility's Medicare Intermediary). LCDS 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, LCDS could be held responsible for refunding the amount in question.

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. LCDS 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, LCDS could be held responsible for refunding the amount in question.

From time to time, the Organization may be subject to legal proceedings arising out of the ordinary course of business. Although management cannot predict the outcome of such proceedings, management does not expect such proceedings to result in a material adverse effect on its financial position, results of operations or its cash flows.

10. DEFERRED REVENUE

Deferred revenue associated with the program income yet to be expended on qualifying Ryan White program activities as at 2019 and 2018, is approximately $268,000 and $239,000, respectively. Deferred revenue is included with other liabilities in the statements of financial position.

11. SUBSEQUENT EVENTS

LCDS has evaluated subsequent events occurring after the statement of financial position date through the date of November 10, 2020, which is the date the financial statements were available to be issued. On March 11, 2020, the World Health Organization characterized the novel COVID-19 virus as a global pandemic. There is significant uncertainty as to the likely effects of this disease which may, among other things, reduce the Organization's patient volumes as patients avoid or delay primary care visits and dental procedures or the Organization's ability to meet demand due to potential staffing shortages as both patients and workers are being asked to stay at home. Furthermore, the Organization expects precautionary protective equipment and disinfection costs to increase as the Organization continues to keep exam rooms, waiting areas and offices safe for both patients and employees. A pandemic outside of the United States could also adversely impact the Organization's business in ways that are difficult to predict such as a disruption in the production or supply of pharmaceuticals and medical supplies sourced outside of the United states. LCDS is eligible for and obtained government assistance under the Paycheck Protection Program designed to offset some of the financial impact of these uncertainties. At the current time the Organization is unable to quantify the full effects of this pandemic on the Organization's future financial statements.

SUPPLEMENTARY INFORMATION

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ADVISORY TAX AUDIT

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*

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors,
La Casa De Salud, Inc:

We have audited, 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, the financial statements of La Casa De Salud, Inc. ("LCDS" or the "Organization"), which comprise the statements of financial position as of December 31, 2019 and the related statement of activities and changes in net assets (deficit), functional expenses and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated November 10, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered LCDS's internal control over financial reporting 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 LCDS's internal control. Accordingly, we do not express an opinion on the effectiveness of LCDS's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether LCDS's financial statements are free of 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*.

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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 entity's internal control or on compliance. This report is an integral part of the audit performed in accordance with *Government Auditing Standards* in considering LCDS's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

WithumSmith+Brown, PC

November 10, 2020

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors,
La Casa De Salud, Inc.:

Report on Compliance for Each Major Federal Program

We have audited LCDS's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget* ("OMB") *Compliance Supplement* that could have a direct and material effect on each of LCDS's major federal programs for the year ended December 31, 2019. LCDS's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, LCDS complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2019.

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Report on Internal Control Over Compliance

Management of LCDS 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 LCDS's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of LCDS's internal control over compliance.

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

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

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

WithumSmith+Brown, PC

November 10, 2020

La Casa De Salud, Inc.
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2019

Federal Grantor/ Pass-through Grantor/Program Title	Federal CFDA Number	Grant Period	Total Program Award Amount	2019 Expenditures
U.S. Department of Health and Human Services				
Health Resources and Services Administration				
Direct programs				
Homeless Health Care Program	93.224	2/1/2019-01/31/2020	$ 3,436,428	$ 2,656,293
	93.224	2/1/2018-01/31/2019	3,249,480	218,938
				2,875,231
Ryan White Part C Early Intervention Program	93.918	1/1/2019-12/31/2019	731,762	625,563
Passed through New Jersey Department of Health				
Total federal awards				$ 3,500,794

See Independent Auditor's Report.
See accompanying Notes to Schedule of Expenditures of Federal Awards.

1. GENERAL INFORMATION

The accompanying schedule of expenditures of federal awards (the "Schedule") presents the activities in all federal awards of LCDS. All financial assistance received directly from federal agencies as well as financial assistance passed through other governmental agencies or nonprofit organizations are included on the Schedule.

2. BASIS OF ACCOUNTING

The accompanying Schedule is presented using the accrual basis of accounting. The amounts reported in the Schedule as expenditures may differ from certain financial reports submitted to federal funding agencies due to those reports being submitted on either cash or a modified cash basis of accounting.

3. BASIS OF PRESENTATION

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

4. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

Federal expenditures are reported on the statement of functional expenses as program services. In certain programs, the expenditures reported in the basic financial statements may differ from the expenditures reported in the Schedule due to program expenditures exceeding grant or contract budget limitations or agency matching or in-kind contributions which are not included as federal awards.

5. INDIRECT COST

The Organization has elected not to use the 10% de minimis indirect cost rate as covered in section 200.414 in the Uniform Guidance, nor has it received a negotiated indirect cost rate.

6. SUB RECIPIENTS

The Organization provided no federal awards to sub recipients for the year ended December 31, 2019.

La Casa De Salud, Inc.
Schedule of Findings and Questioned Costs
Year Ended December 31, 2019

Section 1 - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings that are required to be reported in accordance with Section 510(a) of the Uniform Guidance	No

Identification of major programs:

CFDA/Contract Numbers	Name of Federal Program
93.224	U.S. Department of Health and Human Services, - Homeless Health Care Program

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

Section 2 - Financial Statement Findings

None.

Section 3 - Federal Award Findings and Questioned Costs

None.

None.