

**William F. Ryan Community  
Health Center, Inc.**

Financial Statements and  
Uniform Guidance Schedules  
Together with Independent Auditors' Reports

December 31, 2019

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Together with Independent Auditors' Reports

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**UNIFORM GUIDANCE REPORTS AND SCHEDULES**

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*

Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

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## Independent Auditors' Report

### Board of Directors

#### William F. Ryan Community Health Center, Inc.

We have audited the accompanying financial statements of William F. Ryan Community Health Center, Inc., which comprise the statement of financial position as of December 31, 2019, the related statements of operations and changes in net assets, 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 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. 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 William F. Ryan Community Health Center, Inc. as of December 31, 2019, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Coronavirus (COVID-19) Pandemic***

As discussed in Note 16, Subsequent Events, due to the global viral outbreak caused by Coronavirus Disease (“COVID-19”) in 2020, there have been resulting effects which could materially impact the William F. Ryan Community Health Center, Inc.’s financial condition. The ultimate impact of these matters to the William F. Ryan Community Health Center, Inc. and its financial condition is presently unknown. Management’s evaluation of the events and conditions as a result of the COVID-19 pandemic and management’s plans to mitigate these matters are also described in Note 16.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated July 8, 2020 on our consideration of William F. Ryan Community Health Center, Inc.’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 William F. Ryan Community Health Center, Inc.’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 William F. Ryan Community Health Center, Inc.’s internal control over financial reporting and compliance.

*PKF O'Connor Davies, LLP*

Harrison, New York  
July 8, 2020

**William F. Ryan Community Health Center, Inc.**

Statement of Financial Position

December 31, 2019

**ASSETS**

Current Assets

Cash and cash equivalents	\$ 17,261,051
Program services receivable, net of allowance for doubtful accounts of \$322,589	4,018,727
Contracts receivable	1,513,177
Prepaid expenses and other current assets	<u>1,446,544</u>
Total Current Assets	24,239,499

Property and equipment, net	41,070,800
Due from related parties, net	<u>2,079,285</u>
	<u>\$ 67,389,584</u>

**LIABILITIES AND NET ASSETS**

Current Liabilities

Accounts payable and accrued expenses	\$ 3,849,488
Accrued salaries and related benefits	3,428,897
Deferred revenue	451,228
Current portion of loans payable	107,533
Accrued interest payable	<u>39,333</u>
Total Current Liabilities	7,876,479

Loans payable, net of current portion	1,513,398
Accrued interest payable, net of current portion	956,422
Capital lease payable	<u>27,949,059</u>
Total Liabilities	38,295,358

Net Assets

Without donor restrictions	<u>29,094,226</u>
	<u>\$ 67,389,584</u>

**William F. Ryan Community Health Center, Inc.**  
Statement of Operations and Changes in Net Assets  
Year Ended December 31, 2019

**OPERATING REVENUE**

Program services revenue	\$ 40,726,025
Provision for bad debt	<u>(61,308)</u>
Program services revenue, less provision for bad debt	40,664,717
U.S. Department of Health and Human Services grants	11,194,381
Contract services	5,185,484
Contributions	49,160
Fundraising, net of \$174,575 of expenses	333,750
Interest and dividends	31,575
Other revenue	<u>1,439,598</u>
Total Operating Revenue	<u>58,898,665</u>

**OPERATING EXPENSES**

Salaries and benefits	40,831,066
Other than personnel services	17,491,070
Interest	<u>1,334,368</u>
Total Operating Expenses	<u>59,656,504</u>
Deficiency of Operating Revenue over Operating Expenses before Depreciation and Amortization	(757,839)
Depreciation and amortization	<u>2,969,035</u>
Deficiency of Operating Revenue over Operating Expenses	(3,726,874)

**NONOPERATING REVENUES**

Grant revenue for construction projects	<u>468,514</u>
Change in Net Assets Without Donor Restrictions	(3,258,360)

**NET ASSETS**

Beginning of Year	<u>32,352,586</u>
End of Year	<u>\$ 29,094,226</u>

**William F. Ryan Community Health Center, Inc.**

Statement of Functional Expenses  
Year Ended December 31, 2019

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Total</u>
Salaries and wages	\$ 24,542,942	\$ 5,668,237	\$ 30,211,179
Fringe benefits	8,903,314	1,716,573	10,619,887
Consultants and contractual services	3,732,497	878,300	4,610,797
Professional fees	180,915	191,473	372,388
Laboratory outside services	197,060	-	197,060
Pharmaceuticals	3,760,339	-	3,760,339
Radiology	191,754	-	191,754
Travel, conferences and meetings	87,215	27,803	115,018
Occupancy	557,850	159,465	717,315
Consumable supplies	2,576,663	73,736	2,650,399
Repairs and maintenance	1,310,059	399,779	1,709,838
Insurance	137,678	86,245	223,923
Telephone	640,771	92,915	733,686
Printing, publications and postage	120,318	49,656	169,974
Personnel recruitment	337,651	171,956	509,607
Interest	1,147,556	186,812	1,334,368
Other	<u>1,030,452</u>	<u>498,520</u>	<u>1,528,972</u>
Total Operating Expenses	49,455,034	10,201,470	59,656,504
Depreciation and amortization	<u>2,553,371</u>	<u>415,664</u>	<u>2,969,035</u>
	<u>\$ 52,008,405</u>	<u>\$ 10,617,134</u>	<u>\$ 62,625,539</u>

**William F. Ryan Community Health Center, Inc.**

Statement of Cash Flows

Year Ended December 31, 2019

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Change in net assets	\$ (3,258,360)
Adjustments to reconcile change in net assets to net cash from operating activities	
Depreciation and amortization	2,969,035
Changes in operating assets and liabilities	
Program services receivable	273,112
Contracts receivable	(17,548)
Prepaid expenses and other current assets	(764,849)
Due from related parties	624,898
Accounts payable and accrued expenses	600,744
Accrued salaries and related benefits	428,166
Accrued interest payable	(37,700)
Deferred revenue	53,793
Net Cash from Operating Activities	<u>871,291</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Net purchase of property and equipment	(1,428,922)
Sale of investments	<u>503,566</u>
Net Cash from Investing Activities	<u>(925,356)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Principal payments on loans payable	<u>(103,208)</u>
Net Change in Cash and Cash Equivalents	(157,273)
<b>CASH AND CASH EQUIVALENTS</b>	
Beginning of year	<u>17,418,324</u>
End of year	<u>\$ 17,261,051</u>
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>	
Interest paid	\$ 1,372,068
Noncash investing activity:	
Property, plant and equipment additions in accounts payable	12,991



## **William F. Ryan Community Health Center, Inc.**

Notes to Financial Statements

December 31, 2019

### **1. Description of Organization**

The William F. Ryan Community Health Center, Inc. ("Ryan Health") is a licensed diagnostic and treatment center under Article 28 of the NYS Public Health Law, a federally qualified health center ("FQHC") under Section 330 of the Federal Public Health Service Act, and mental health service provider under Article 31 of the NYS Mental Hygiene Law. Ryan Health operates several facilities across Manhattan, including the Ryan West 97th Street, Ryan NENA, the Ryan Adair, the Ryan Health Women & Children's Center and the Ryan Frederick Douglass. Together with a related entity, the Ryan/Chelsea-Clinton Community Health Center, Inc. ("RCC"), all of these facilities operate collectively as the Ryan Health Network to provide a broad range of health services to medically underserved communities.

Ryan Health and RCC, acting through their individual Board of Directors, are the corporate members of Afia Foundation, Inc. (the "Foundation"). The Foundation's purpose is to benefit, promote and support Ryan Health and RCC and to promote and support initiatives and projects that focus on activities, programs and undertakings that assist individuals with low income or who are medically unserved or underserved.

Ryan Health receives substantial support from the U.S. Department of Health and Human Services ("DHHS"), and is also funded by the NYS Department of Health ("DOH") for specific programs and initiatives.

#### ***Tax Exempt Status***

Ryan Health is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for federal and state income taxes has been recorded in these financial statements.

### **2. Summary of Significant Accounting Policies**

#### ***Basis of Presentation and Use of Estimates***

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP"), which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

## William F. Ryan Community Health Center, Inc.

Notes to Financial Statements  
December 31, 2019

### 2. Summary of Significant Accounting Policies *(continued)*

#### **Net Assets**

##### *Net Assets Without Donor Restrictions*

Net assets without donor restrictions are available for use at the discretion of the Board of Directors (the "Board") and management for general operating purposes. From time to time, the Board may designate a portion of these net assets for specific purposes, which makes them unavailable for use at management's discretion.

##### *Net Assets With Donor Restrictions*

Net assets with donor restrictions consist of assets whose use is limited by donor-imposed, time and/or purpose restrictions. Ryan Health reports gifts of cash and other assets as revenue with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, the net assets with donor restriction are reclassified to net assets without donor restriction and reported in the statement of operations and changes in net assets as net assets released from restrictions.

Some net assets with donor restrictions include a stipulation that assets provided be maintained permanently (perpetual in nature) while permitting Ryan Health to expend the income generated by the assets in accordance with the provisions of additional donor imposed stipulations or a Board approved spending policy. Ryan Health had no assets with donor restrictions at December 31, 2019.

#### **Accounting Pronouncements Adopted**

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606) which is a comprehensive new revenue recognition standard that supersedes existing revenue recognition guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Ryan Health's financial statements reflect the application of ASC 606 guidance beginning in 2019. No cumulative-effect adjustment in net assets was recorded because the adoption of ASU 2014-09 did not significantly impact Ryan Health's reported historical revenue.

## William F. Ryan Community Health Center, Inc.

Notes to Financial Statements  
December 31, 2019

### 2. Summary of Significant Accounting Policies *(continued)*

#### ***Accounting Pronouncements Adopted (continued)***

In June 2018, the Financial Accounting Standards Board issued ASU 2018-08, "Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made" (Topic 958) ("ASU 2018-08"). ASU 2018-08 clarifies existing guidance in order to address diversity in practice in classifying grants (including governmental grants) and contracts received by not-for-profit entities and requires entities to evaluate whether the resource provider receives commensurate value. In addition, the standard clarifies the guidance on how entities determine when a contribution is conditional, including whether the agreement includes a barrier (or barriers) that must be overcome for the recipient to be entitled to the transferred assets and a right of return of the transferred assets (or a right of release of the promisor's obligation to transfer the assets). The standard should be applied on a modified prospective basis to agreements that are not completed as of the effective date and to agreements entered into after the effective date. Retrospective application is permitted.

Ryan Health adopted ASU 2018-08 in the financial statements for the year ended December 31, 2019 on a modified prospective basis without significant impact to its financial statements.

#### ***Cash and Cash Equivalents***

Ryan Health's policy for classifying cash and cash equivalents is to include certain investments in highly liquid debt instruments with a maturity date of three months or less at the time of purchase. Cash and cash equivalents do not include cash and investments whose use is limited and restricted cash maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. Ryan Health has not experienced any losses on such accounts.

**William F. Ryan Community Health Center, Inc.**

Notes to Financial Statements  
December 31, 2019

**2. Summary of Significant Accounting Policies (continued)**

***Program Services Receivable***

Program services receivable is reported at its outstanding unpaid principal balances reduced by an allowance for doubtful accounts. Ryan Health estimates doubtful accounts based on historical bad debts, factors related to specific payors' ability to pay, and current economic trends. Ryan Health writes off program services receivable against the allowance when a balance is determined to be uncollectible.

***Property and Equipment***

Items capitalized as part of property and equipment are stated at cost or fair value if contributed. Routine maintenance and repairs are expensed while those that extend the life of existing assets are capitalized. Depreciation and amortization are provided over the estimated useful life of each class of depreciable assets and is computed utilizing the straight-line method. Leasehold improvements are amortized on a straight-line basis over the estimated useful life of the improvement or the term of the lease, whichever is shorter.

The estimated useful lives by asset class are as follows:

Building and building improvements	15-49 years
Leasehold improvements	15-40 years
Furniture and equipment	5-20 years

Included in building and improvements is a capital lease for a building. The building is recorded at the present value of the minimum lease payments and is amortized on a straight-line basis over the term of the lease. The amortization expense on the building under capital lease is included with amortization expense on owned assets. Amortization expense for the building under capital lease is \$582,272 for the year ended December 31, 2019 and is included in depreciation and amortization in the accompanying statement of operations and changes in net assets.

Construction-in-progress is recorded at cost. Ryan Health capitalizes construction costs during the period of construction. Depreciation is recorded when construction is substantially complete and the assets are placed in service.

## **William F. Ryan Community Health Center, Inc.**

Notes to Financial Statements

December 31, 2019

### **2. Summary of Significant Accounting Policies (*continued*)**

#### ***Accrued Interest Payable***

Ryan Health records accrued interest payable for the difference between the present value of the interest payments calculated at the inception of the capital lease for a building and the actual lease payments made by Ryan Health for interest in accordance with the capital lease agreement.

#### ***Impairment of Long-Lived Assets***

Long-lived assets, such as property and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Ryan Health records impairment losses on long-lived assets used in operations when the undiscounted cash flows estimated to be generated by those assets are less than the carrying amounts of those assets. There were no impairment charges recognized for the year ended December 31, 2019.

#### ***Asset Retirement Obligations***

Ryan Health accounts for Asset Retirement Obligations ("ARO") in accordance with U.S. GAAP, which defines a conditional asset retirement obligation as a legal obligation to perform an asset retirement activity in which the timing and/or method of settlement are conditional on a future event that may or may not be within the control of the entity. Uncertainty with respect to the timing and/or method of settlement of the asset retirement obligation does not defer recognition of a liability. The fair value of the ARO is recorded on a discounted basis and accreted over time for the change in fair value. Management has determined that there are no ARO liabilities that are required to be reported at December 31, 2019.

## **William F. Ryan Community Health Center, Inc.**

Notes to Financial Statements

December 31, 2019

### **2. Summary of Significant Accounting Policies (*continued*)**

#### ***Program Services Revenue***

Program services revenue is reported at estimated net realizable amounts from patients, third-party payors, and others for services rendered and includes estimated retroactive revenue adjustments due to future audits, reviews, and investigations. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered, and such amounts are adjusted in future periods as adjustments become known or as years are no longer subject to such audits, reviews, and investigations. Self-pay revenue is recorded at published charges with charitable allowances deducted to arrive at net self-pay revenue. All other program services revenue is recorded at published charges with contractual allowances deducted to arrive at net program services revenue. Generally, Ryan Health bills the patients and third-party payors weekly after the services are performed. Revenue is recognized as performance obligations are satisfied.

Ryan Health participates in Section 340B of the Public Health Service Act ("PHS Act"), Limitation on Prices of Drugs Purchased by Covered Entities. Participation in this program allows Ryan Health to purchase pharmaceuticals at discounted rates for prescriptions to eligible patients. Pharmacy revenue is generated through contracted pharmacies and the Section 340B program.

#### ***Department of Health and Human Services Grants and Contract Services***

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 contracts awarded for the acquisition of long-lived assets are reported as non-operating revenue without donor restrictions, in the absence of donor stipulations to the contrary, during the calendar year in which the assets are acquired. Cash received in excess of revenue recognized is recorded as refundable advances. Grants revenue includes in-kind vaccine grants that are recognized at fair value.

#### ***Charity Care***

Ryan Health provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because Ryan Health does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

Ryan Health's estimated costs for charity care approximated \$9,595,000 for the year ended December 31, 2019. The cost of charity includes the direct and indirect cost of providing care to self-pay patients and is estimated by utilizing total cost per self-pay visit.

Funds received from the New York State Indigent Care Pool to offset charity services provided \$2,248,827 for the year ended December 31, 2019.

## **William F. Ryan Community Health Center, Inc.**

Notes to Financial Statements

December 31, 2019

### **2. Summary of Significant Accounting Policies (*continued*)**

#### ***Capitation Revenue***

Ryan Health has agreements with certain health and maintenance organizations (“HMO”) to provide medical services to subscribing participants. Under these agreements, Ryan Health receives monthly capitation payments based on the number of participants in each HMO assigned to Ryan Health, regardless of the services actually performed by Ryan Health. For the year ended December 31, 2019, Ryan Health earned capitation revenue of approximately \$4,011,000, which is recorded in net patient service revenue in the statement of operations and changes in net assets.

#### ***Contributions***

All contributions are considered available for general use, unless specifically restricted by the donor or subject to time or other legal restrictions. Ryan Health’s policy is to report contributions with donor or time imposed restrictions when these restrictions are met in the same year the contributions are received as net assets without donor restrictions.

#### ***Functional Allocation of Expenses***

The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Ryan Health provides primary care, mental health, dental care, social work and other health care related services to patients. Natural expenses attributable to more than one functional expense category are allocated using a variety of cost allocation techniques such as square footage and time and effort.

#### ***Professional and Similar Liabilities***

Ryan Health presents insurance claim liabilities and related recoveries on a gross basis. Any estimated insurance recovery is reflected as a receivable on the same basis as the liabilities, subject to the need for a valuation allowance for uncollectible accounts.

**William F. Ryan Community Health Center, Inc.**

Notes to Financial Statements

December 31, 2019

**2. Summary of Significant Accounting Policies (continued)**

***Women, Infants and Children Agency Funds***

Ryan Health receives checks as part of the Women, Infants and Children's grant, whereby the grantor generates the food checks to be distributed by Ryan Health to the recipients. Management has determined that in accordance with U.S. GAAP, the transfers of these checks to the recipients are agency transactions which should not be recorded in Ryan Health's statement of operations and changes in net assets. The fair value of the checks received and transferred for the year ended December 31, 2019 approximated \$2,200,000.

***Performance Indicator***

The statement of operations and changes in net assets includes deficiency of operating revenue over operating expenses, which is deemed by Ryan Health to be its performance indicator. Other changes in net assets without donor restrictions, which are excluded from the deficiency of operating revenue over operating expenses include grant revenue for construction projects.

***Accounting for Uncertainty in Income Taxes***

Ryan Health recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Management has determined that Ryan Health had no uncertain tax positions that would require financial statement recognition or disclosure. Ryan Health is no longer subject to examinations by the applicable taxing jurisdictions for periods prior to December 31, 2016.

***Subsequent Events Evaluation by Management***

Management has evaluated subsequent events for disclosure and/or possible recognition in the financial statements through July 8, 2020, which is the date that the financial statements were available to be issued.



## William F. Ryan Community Health Center, Inc.

### Notes to Financial Statements

December 31, 2019

### 3. Program Services Receivable and Revenue

Ryan Health recognizes program services revenue associated with services provided to patients who have third-party payor coverage on the basis of contractual and formula-driven rates for the services rendered.

Program services revenue for the year ended December 31, 2019, net of contractual allowances and discounts (but before the provision for bad debts), recognized from these major payor sources based on primary insurance designation, is as follows:

Medicaid	\$ 3,415,731
Medicaid Managed Care	6,778,325
Medicare	3,499,854
Private Insurance	655,436
Self Pay	<u>614,202</u>
	14,963,548
Safety Net Payment	2,248,827
New York State and Child Health	
Plus Wraparound	9,935,325
Medicaid Managed Care Incentives	4,153,145
Delivery System Reform Incentive Payment	2,683,155
Pharmacy (340B)	<u>6,742,025</u>
Program Services Revenue	<u>\$ 40,726,025</u>

Deductibles and copayments under third-party payment programs within the third-party payor amounts above are the patient's responsibility and Ryan Health considers these amounts in its determination of the provision for bad debts based on collection experience. Program services receivable is also reduced by an allowance for doubtful accounts.

In evaluating the collectability of program services receivable, Ryan Health 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.

Ryan Health recognizes revenue as its performance obligations are completed. The performance obligations are satisfied as the patient simultaneously receives and consumes the benefits of the healthcare services provided. Revenue is recognized on a per visit basis as each visit represents a separate contract and performance obligation. Typically, patients and third-party payors are billed weekly after services are performed and payments are due based on contract terms.

## William F. Ryan Community Health Center, Inc.

Notes to Financial Statements

December 31, 2019

### 3. Program Services Receivable and Revenue (*continued*)

Ryan Health's performance obligations relate to services provided with a duration of one year or less. Accordingly, Ryan Health is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period in accordance with the revenue standard. Ryan Health has minimal unsatisfied performance obligations at the end of the reporting period as Ryan Health's patients are typically served on the same day.

As the period between the time of service and time of payment is typically one year or less, Ryan Health elected as a practical expedient to not adjust for the effects of a significant financing component.

Ryan Health determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided by third-party payors and discounts provided to uninsured patients. Ryan Health determines its estimates of explicit price concessions for contract adjustments based on contractual agreements, or discount policies and historical experience. Ryan Health determines its estimate of implicit price concessions based on its historical collection experience with each class of patients using a portfolio approach as a practical expedient to account for patient contracts as collective groups rather than individually. Management believes that the financial effects of using this practical expedient are not materially different from an individual contract approach.

### 4. Contracts Receivable

Contracts receivable consist of the following at December 31, 2019:

New York State Department of Health:	
AIDS Institute - Multi-service Agency	\$ 109,264
Women, Infants and Children Program	242,937
High School Health Program	126,174
New York City Department of Health and Mental Hygiene:	
HIV Care Services Program	93,791
Family Planning Emergency Contracts	178,271
Health Research, Inc.:	
Retention and Adherence Program	57,446
Public Health Solutions	200,754
Infant Mortality	201,410
Beth Israel	88,254
AFIA Foundation (Renovation Project)	139,145
Other	75,731
	<u>\$ 1,513,177</u>

## William F. Ryan Community Health Center, Inc.

### Notes to Financial Statements

December 31, 2019

#### 5. Property and Equipment

Property and equipment consists of the following at December 31, 2019:

Land	\$ 76,145
Building and building improvements	60,959,338
Leasehold improvements	11,203,396
Furniture and equipment	<u>13,688,219</u>
	85,927,098
Accumulated depreciation and amortization	<u>(45,324,813)</u>
	40,602,285
Construction-in-progress	<u>468,515</u>
	<u>\$ 41,070,800</u>

Construction-in-progress relates to the development of a new site at Ryan Health. The total estimated additional costs to complete the new project are approximately \$3,100,000 and the project is expected to be completed in 2020.

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

#### 6. Capital Lease of a Building

On February 28, 2008, Ryan Health entered into a 49-year capital lease agreement for office and clinical space of a building located at 801 Amsterdam Avenue, New York, New York (the "Building"). Ryan Health recorded an asset and liability of approximately \$28 million for the Building based on the present value lease of the total lease payments at the inception of the lease at an interest rate of 4.25%. Interest expense on the lease for the year ended December 31, 2019 approximated \$1,231,000.

Payments made under the lease arrangement escalate in future years. Accordingly, Ryan Health has recorded an accrued interest payable of \$995,755 for the difference between the present value of total interest payments per the capital lease agreement through December 31, 2019 and the actual capital lease payments made by Ryan Health per the lease agreement through December 31, 2019. Payments under the lease agreement are interest-only through 2026 and, as such, the capital lease obligation is presented as long-term on the statements of financial position at December 31, 2019.

**William F. Ryan Community Health Center, Inc.**

Notes to Financial Statements

December 31, 2019

**6. Capital Lease of a Building (continued)**

Future minimum lease payments for the Building are payable as follows at December 31:

2020	\$ 1,268,719
2021	1,268,719
2022	1,421,168
2023	1,421,168
2024	1,421,168
Thereafter	<u>53,150,725</u>
Total minimum lease payments	59,951,667
Amount representing interest	<u>(32,002,608)</u>
	<u>\$ 27,949,059</u>

Beginning in June 2019, Ryan Health may exercise an option to purchase the Building at a purchase price of \$19,800,000, which option may be exercised at any time before June 2029 ("Option"). If Ryan Health exercises the Option, the closing date will be 60 days after notice is given to exercise the Option, or on the first day of July 2029, whichever is later.

**7. Loans Payable**

On October 16, 2009 (the "Closing Date"), Ryan Health entered into a loan agreement with the Foundation with a principal amount of \$6,500,000 to be used by Ryan Health to pay for the costs of the construction, renovation and furnishing of Ryan Health's leasehold improvements at 801 Amsterdam Avenue, New York, New York. The loan is being repaid over 20 years at the interest rate equal to the United States Prime Rate ("U.S. Prime Rate") noted in the Wall Street Journal plus 1% as of the Closing Date. On each anniversary of the Closing Date, the interest rate is reset to the rate equal to the U.S. Prime Rate plus 1%, but can never exceed 7% per annum, and was 6.0% at December 31, 2019. Ryan Health began paying the principal and interest on the loan to the Foundation on December 1, 2010 with an ending payment date of December 1, 2030. Interest expense on this loan for the year ended December 31, 2019 approximated \$103,000.

Future principal payments on long-term debt in each of the five years subsequent to December 31, 2019 are as follows:

2020	\$ 107,533
2021	114,165
2022	121,206
2023	128,682
2024	136,619
Thereafter	<u>1,012,726</u>
	<u>\$ 1,620,931</u>

**William F. Ryan Community Health Center, Inc.**

Notes to Financial Statements

December 31, 2019

**8. DHHS Grants**

Ryan Health is obligated under the terms of the DHHS grants to comply with specified conditions and program requirements set forth by the grantor. Ryan Health received the following grants from DHHS for the year ended December 31, 2019:

	<u>2019</u>
Health Resources and Services Administration:	
Consolidated Health Centers Program	\$ 10,121,899
Ryan White Part C	963,167
Center for Disease Control and Prevention (CDC):	
HIV Prevention Projects	375,898
NYC Department of Health and Mental Hygiene:	
Immunization Cooperative agreements	<u>1,136,224</u>
	12,597,188
Grants passed through to RCC as subrecipient	<u>(1,402,807)</u>
	<u>\$ 11,194,381</u>

**9. Contract Services**

Contract services revenue consist of the following for the year ended December 31, 2019:

New York State Department of Health:	
Women, Infants and Children Program	\$ 1,254,728
High School Health Program	342,307
AIDS Institute - Multi-service Agency	512,293
Maternal and Child Health Services	180,803
Health Research, Inc.:	
HIV Care Retention and Adherence Program	238,232
Public Health Solutions:	
HIV Emergency Relief	680,462
St. Luke's Roosevelt	218,898
Beth Israel	353,016
The Robin Hood Foundation	251,075
* Afia Foundation, Inc.	88,440
Family Planning	565,847
Other	<u>499,383</u>
	<u>\$ 5,185,484</u>

\* Related party

**William F. Ryan Community Health Center, Inc.**

Notes to Financial Statements

December 31, 2019

**10. Grants from the Foundation**

The Foundation contributed the following grants to Ryan Health for the year ended December 31, 2019:

Construction at Washington Heights site	\$ 468,514
Patient Centered Medical Home	<u>88,440</u>
	<u>\$ 556,954</u>

The conditional contribution outstanding to be received from the Foundation at December 31, 2019 was \$3,089,561.

**11. Liquidity and Availability of Resources**

Ryan Health's financial assets available within one year of the statements of financial position date for general expenditures are as follows at December 31, 2019:

Cash and cash equivalents	\$ 17,261,051
Program services receivable, net	4,018,727
Contract receivable	<u>1,513,177</u>
Total financial assets available within one year to meet cash needs for general expenditures within one year	<u>\$ 22,792,955</u>

Ryan Health maintains a policy of structuring financial assets to be available as its general expenditures, liabilities and other obligations become due. As part of the liquidity management plan, Ryan Health invests cash in excess of daily requirements in money market funds and government securities.

**12. Pension Plans**

***a. Defined Contribution Pension Plan***

Ryan Health has a defined contribution pension plan covering substantially all non-union full-time employees meeting certain eligibility requirements. Contributions to the plan are based on a percentage of salaries. There were approximately \$34,000 in pension plan forfeitures that Ryan Health applied towards payments for the 2019 year-end pension contribution. Pension expense approximated \$237,000 for the year ended December 31, 2019.

**William F. Ryan Community Health Center, Inc.**

Notes to Financial Statements  
December 31, 2019

**12. Pension Plans (continued)**

**b. Local 1199 National Pension Fund for Hospital and Health Care Employees**

Ryan Health contributes to the Local 1199 National Pension Fund for Hospital and Health Care Employees (the "Plan") pursuant to a collective bargaining agreement that covers its union-represented employees. The risks of participating in a multi-employer plan are different from a single-employer plan in the following aspects:

- A. Assets contributed to the multi-employer plan by one employer may be used to provide benefits to employees of other participating employers.
- B. If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.
- C. If an employer chooses to stop participating in some of its multi-employer plans, the employer may be required to pay those plans an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

Ryan Health's participation in this type of plan for the year ended December 31, 2019 is outlined in the table below. The "EIN Number" column provides the Employer Identification Number ("EIN"). The most recent Pension Protection Act ("PPA") zone status available in 2019 is for the Plan year ended December 31, 2018. The zone status is based on information that Ryan Health received from the Plan and is certified by the actuaries of the Plan. Among other factors, plans in the red zone are generally less than 65% funded, plans in the yellow zone are less than 80% funded, and plans in the green zone are at least 80% funded. The "FIP/RP Status Pending/Implemented" column indicates plans for which a financial improvement plan ("FIP") or a rehabilitation plan ("RP") is pending or has been implemented. The last column lists the expiration date of the collective bargaining agreement to which the Plan is subject. Ryan Health's contribution to the Plan did not exceed 5% of total contributions to the Plan.

Pension Fund	EIN Number	Plan Number	Pension Protection Act Zone Status
1199 SEIU Health Care Employees Pension Fund	13-3604862	001	Green as of 12/31/18

  

FIR / RP Status	Contributions by Ryan Health	Surcharge Imposed	Expiration Date of Collective-Bargaining Agreement
Pending/Implemented			
No	\$1,636,042	No	9/30/2021

Form 5500 is not yet available for the Plan's year ended in 2019.

**William F. Ryan Community Health Center, Inc.**

Notes to Financial Statements

December 31, 2019

**12. Pension Plans (continued)**

**c. Deferred Compensation Plans 457(b) Plans**

During 2019, Ryan Health established a 457(b) deferred compensation plan (the “457(b) plan”) covering a select group of management employees. The 457(b) plan calls for discretionary contributions to the plan that are a percentage of wages, as well as voluntary employee salary deferrals. The funds for the 457(b) plan are held in trust in separate accounts and are invested by the participants. The assets in the amount of \$227,203 related to 457(b) plan are included in prepaid expenses and other current assets and the corresponding liability for the same amount is included in accrued salaries and benefits on the accompanying 2019 statement of financial position. Total expense related to this benefit, included in the financial statements for the year ended December 31, 2019 was \$202,070.

**d. Split-Dollar Life Insurance**

During 2019, Ryan Health entered into split-dollar insurance agreements which are collateral assignment arrangements between the organization and a key employee. These agreements involve methods of paying for insurance coverage for the executive by splitting the elements of life insurance policies. Under the agreements, the executive is the owner of the policies and makes collateral assignments to Ryan Health in return for loans equal to the amount of premiums to be paid on behalf of the executive, plus accrued interest at a specific rate. At the time of death, Ryan Health will be paid the loan amounts plus accrued interest and the balance of the insurance benefits will be paid to the executive’s designated beneficiaries. As of December 31, 2019, the balance of the loan is \$176,770, and is included in prepaid expenses and other assets on the statement of financial position.

**13. Related Party Transactions (not disclosed elsewhere)**

Balances due from related parties at December 31, 2019 are classified as long-term in the statement of financial position as the balances are not within one year of those dates. Balances due from related parties are non-interest bearing and consist of the following at December 31, 2019:

(a) RCC	\$ 2,079,043
(b) The Foundation	<u>242</u>
	<u>\$ 2,079,285</u>



**William F. Ryan Community Health Center, Inc.**

Notes to Financial Statements

December 31, 2019

**13. Related Party Transactions (*not disclosed elsewhere*)(*continued*)**

**(a) *Due from RCC***

1. *Loan to RCC*

The balance due from RCC is net of an allowance for doubtful accounts of approximately \$622,000 at December 31, 2019 based on management's estimate of the ultimately collectable receivable balance.

2. *Management Services and Expense Reimbursement*

Ryan Health provides RCC with administrative, fiscal and support services in exchange for a management fee. Ryan Health recognized management fee revenue related to this agreement of \$960,000 which is included in other revenue in the statement of operations and changes in net assets for the year ended December 31, 2019. For the year ended December 31, 2019, Ryan Health received payments of \$960,000 from RCC for these services.

For the year ended December 31, 2019, Ryan Health paid certain expenses on behalf of RCC of approximately \$1,050,000. For the year ended December 31, 2019, RCC paid Ryan Health approximately \$1,685,000 related to these expenses and to balances owed previously.

3. *Grants to RCC*

Ryan Health committed and paid federal funding to RCC of approximately \$1,403,000 for the year ended December 31, 2019 as part of a sub-recipient agreement between Ryan Health and RCC. In addition, for the year ended December 31, 2019, Ryan Health received and transferred non-federal grants on behalf of RCC of approximately \$580,000 and received payments from third parties on behalf of RCC of approximately \$1,105,000 of which \$1,105,000 were transferred to RCC.

4. *Subvention Agreement*

Ryan Health paid for expenses on behalf of RCC since inception and in 2004 RCC issued a subvention certificate to Ryan Health in the amount of \$1,600,000 related to the financing provided. Ryan Health evaluated the collectability of the subvention certificate and as a result of its evaluation reserved the entire amount in 2004.

## William F. Ryan Community Health Center, Inc.

Notes to Financial Statements

December 31, 2019

### 13. Related Party Transactions *(not disclosed elsewhere)* *(continued)*

#### **(b) Due from the Foundation**

##### 1. Management Services and Expense Reimbursement

Ryan Health has a staffing and administrative services agreement with the Foundation, which automatically renews annually for an additional term of one year. Under the terms of the agreement, Ryan Health provides staffing support and administrative services to the Foundation. The management fee recognized by Ryan Health for the year ended December 31, 2019 amounted to \$120,000 which is included in other revenue in the statement of operations and changes in net assets. Ryan Health received payments from the Foundation for these services of \$120,000 for the year ended December 31, 2019.

For the year ended December 31, 2019, Ryan Health received reimbursement from the Foundation of \$2,280 for the year ended December 31, 2019.

### 14. Commitments and Contingencies

#### ***Reimbursement***

Ryan Health 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 from Medicaid and Medicare are subject to audit by federal and state governments and other agencies. Upon audit, if discrepancies are discovered, Ryan Health could be held responsible for refunding the amounts in question.

#### ***Healthcare Revenue and Regulatory Compliance***

The healthcare industry is subject to numerous laws and regulations imposed by federal, state and local governments. Compliance with these laws and regulations, specifically those related to the Medicare and Medicaid programs, can be subject to government review and interpretation, as well as regulatory actions unknown and unasserted at this time. In addition, certain cost reports, which serve as the basis for final settlement with the Medicare program, remain open for audit and settlement, as are New York State Medicaid cost reports for prior years.

Federal government activity has increased with respect to investigations and allegations concerning possible violations by healthcare providers of regulations, which could result in the imposition of significant fines and penalties, as well as significant repayments of previously billed and collected revenue from patient services. Furthermore, noncompliance with such laws and regulations could result in fines, penalties and exclusion from such programs. Accordingly, there is at least a reasonable possibility that recorded estimates for healthcare revenue will change in the near term and the change could be material to Ryan Health's financial condition, results of operations and cash flows.

**William F. Ryan Community Health Center, Inc.**

Notes to Financial Statements

December 31, 2019

**14. Commitments and Contingencies (continued)**

***Healthcare Revenue and Regulatory Compliance (continued)***

Ryan Health is not aware of any allegations of noncompliance that could have a material adverse effect on the amounts recorded in the financial statements. In addition, management believes that Ryan Health has an effective compliance program in place to assist in complying with current laws and regulations and is in compliance, in all material respects, with applicable laws and regulations.

***Collective Bargaining Agreement***

During the year ended December 31, 2019, approximately 67% of Ryan Health's employees were covered by various collective bargaining agreements. The agreements cover physicians, dentists, RN's, LPN's, service, maintenance, technical, and clerical employees and social workers.

<u>Union</u>	<u>% of Employees Covered</u>	<u>Contract Expiration date</u>
1199 SEIU United Healthcare Workers East	62%	09/30/2021
New York State Federation of Physicians and Dentists	4%	10/31/2020
Doctors Council, Local 10MD, SEIU, AFL-CIO	1%	10/31/2020
Brotherhood of Security Personnel Officers and Guards International Union	<1%	08/03/2021

***Delivery System Reform Incentive Payment Program***

The New York State's Delivery System Reform Incentive Payment ("DSRIP") is the main mechanism by which the New York State Department of Health ("DOH") will implement the Medicaid Redesign Team Waiver Amendment. DSRIP's purpose is to fundamentally restructure the healthcare delivery system by reinvesting in the Medicaid program, with the ultimate goal of reducing the cost of care, while improving the quality and access to care provided. Up to \$6.42 billion dollars are allocated to this program statewide with payouts based upon achieving predefined results in system transformation, clinical management, and population health over a five-year period.

The five-year DSRIP period began on April 1, 2015. During the five-year DSRIP period, DSRIP payments are to be made based upon achieving predefined results in system transformation, clinical management, and population health. The payments to be made are based upon performance against predefined milestones and outcomes – failure to meet milestones and reporting requirements may result in a reduction to the payments or, in some instances receiving no payment.

Ryan Health is a participating provider in the Mount Sinai Performing Provider System ("PPS"). Revenue for the year ended December 31, 2019 as a result of Ryan Health's participation in the PPS was \$2,683,155.

**William F. Ryan Community Health Center, Inc.**

Notes to Financial Statements

December 31, 2019

**14. Commitments and Contingencies (continued)**

***Malpractice***

Ryan Health maintains its medical malpractice coverage under the Federal Tort Claims Act ("FTCA"). FTCA provides malpractice coverage to eligible PHS-supported programs and applies to Ryan Health 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. Ryan Health maintains gap insurance for claims that are not covered by FTCA.

Ryan Health has been named in litigation claims in the normal course of its operations. These claims will, in the opinion of management, be fully covered by Ryan Health's insurance coverage and will not have a material adverse effect upon the financial position of Ryan Health.

**15. Concentration of Credit Risk**

Financial instruments that potentially subject Ryan Health to concentrations of credit risk consist principally of cash and patient accounts receivable.

Ryan Health maintains its cash in bank deposit accounts which, at times, may exceed amount insured by the Federal Deposit Insurance Corporation up to \$250,000. Ryan Health has not experienced any losses in such accounts.

Ryan Health grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payors. The percentages of accounts receivable from patients and amounts due from third party payors were as follows at December 31, 2019:

Medicaid	54 %
Medicare	14
NYS safety net payments	19
Self-pay, Medicaid managed care and commercial insurance	<u>13</u>
	<u>100 %</u>

**William F. Ryan Community Health Center, Inc.**

Notes to Financial Statements

December 31, 2019

**16. Subsequent Events**

***Coronavirus (Covid-19)***

Subsequent to year end, the Coronavirus 2019 (“COVID-19”) pandemic has resulted in substantial volatility in the local healthcare market where Ryan Health operates as well as in the global financial market. As a result of the COVID-19 pandemic, Ryan Health is experiencing a reduction in patient visits that is having a direct effect on its operations. The rise in demand for health care supplies and potential staffing shortages will likely increase costs incurred by Ryan Health as well. The long-term continuation of the effect of the pandemic cannot be determined with certainty. In March 2020, the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”) was signed into law. The CARES Act’s full financial impact on Ryan Health is unknown, but Ryan Health has subsequently started to receive aid.

Given the uncertainty surrounding the extent and timing of the potential future spread or mitigation of COVID-19, management cannot reasonably estimate the impact to Ryan Health’s future results of operations, cash flow, or financial condition.

In March 2020, the Foundation approved up to \$4,520,000 in contributions to Ryan Health to offset anticipated revenue loss from decreased visits and workforce shortages at the health center impacted by COVID-19.

\* \* \* \* \*

**William F. Ryan Community Health Center, Inc.**

**Uniform Guidance Schedules and Reports**

December 31, 2019

**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 Auditors' Report**

**Board of Directors**

**William F. Ryan Community Health Center, Inc.**

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 William F. Ryan Community Health Center, Inc., which comprise the statement of financial position as of December 31, 2019, and the related statements of operations and changes in net assets, 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 July 8, 2020.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered William F. Ryan Community 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 William F. Ryan Community Health Center, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of William F. Ryan Community 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.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether William F. Ryan Community 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*PKF O'Connor Davies, LLP*

Harrison, New York  
July 8, 2020





**Report on Compliance for Each Major Federal Program;  
Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of  
Federal Awards Required by the Uniform Guidance**

**Independent Auditors' Report**

**Board of Directors**

**William F. Ryan Community Health Center, Inc.**

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

We have audited William F. Ryan Community Health Center, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of William F. Ryan Community Health Center, Inc.'s major federal programs for the year ended December 31, 2019. William F. Ryan Community Health Center, Inc.'s major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of William F. Ryan Community Health Center, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about William F. Ryan Community 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 program. However, our audit does not provide a legal determination of William F. Ryan Community Health Center, Inc.'s compliance.

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

In our opinion, William F. Ryan Community 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 programs for the year ended December 31, 2019.

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

Management of William F. Ryan Community 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 William F. Ryan Community 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 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 William F. Ryan Community 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 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.

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

We have audited the financial statements of William F. Ryan Community Health Center, Inc. as of and for the year ended December 31, 2019, and have issued our report thereon dated July 8, 2020, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the 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.

*PKF O'Connor Davies, LLP*

Harrison, New York  
September 23, 2020

**William F. Ryan Community Health Center, Inc.**

Schedule of Expenditures of Federal Awards  
Year Ended December 31, 2019

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Passed Through to Subrecipients</u>	<u>Total Federal Expenditures</u>
<b>Department of Health and Human Services Direct Programs</b>				
Health Centers - Cluster				
Grants for New and Expanded Services under the Health Center Program	93.527		\$ 751,519	\$ 6,433,739
Health Center Program (Community Health Centers, Migrant Health Centers, Health Care for the Homeless and Public Housing Primary Care)	93.224		422,730	3,688,160
Total Health Centers - Cluster			<u>1,174,249</u>	<u>10,121,899</u>
Other Programs				
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	93.918		228,558	963,167
HIV Prevention Activities Non-Governmental Organization Based	93.939		-	375,898
Total Department of Health and Human Services Direct Programs			<u>1,402,807</u>	<u>11,460,964</u>
<b>Department of Health and Human Services Pass-Through Programs</b>				
Passed through Public Health Solutions:				
HIV Emergency Relief Project Grants	93.914	<i>18-TPT-536 104-17 WFR-02,</i>	-	196,441
Family Planning Services	93.217	<i>104-17 WFR-03</i>	-	387,576
Passed through Health Research, Inc.:				
HIV Care Formula Grants	93.917	<i>5163-04, 5163-05</i>	-	238,232
Passed through the New York State Department of Health:				
Maternal and Child Health Services Block Grant to the States	93.994	<i>C-022491</i>	-	42,515
Passed through the New York City Department of Health and Mental Hygiene:				
Immunization Cooperative Agreements	93.268	<i>Not Available</i>	-	1,136,224
Total Department of Health and Human Services Pass-Through Programs			-	2,000,988
Total Department of Health and Human Services			<u>1,402,807</u>	<u>13,461,952</u>
<b>Department of Agriculture</b>				
Passed through New York State Department of Health:				
WIC Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	<i>C30388GG</i>	-	3,428,320
Total Expenditures of Federal Awards			<u>\$ 1,402,807</u>	<u>\$ 16,890,272</u>

See independent auditors' report and notes to Schedule of Expenditures of Federal Awards

**William F. Ryan Community Health Center, Inc.**

Notes to Schedule of Expenditures of Federal Awards  
Year Ended December 31, 2019

**NOTE 1 - Basis of Presentation**

The Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of William F. Ryan Community Health Center, Inc. (the "Center") 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 the Center, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Center.

**NOTE 2 - Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**NOTE 3 - Non-Cash Awards**

The Center receives food checks as part of the Special Supplemental Nutrition Program for Women, Infants and Children, whereby the grantor generates the food checks to be distributed by the Center to the recipients. In accordance with accounting principles generally accepted in the United States of America, the food checks are not included on the statement of operations and changes in net assets since they are agency transactions. The fair value of the checks received and transferred for the year ended December 31, 2019 was approximately \$2,200,000 and is included in the Schedule. There were no further non-cash awards that should be included in the Schedule.

**NOTE 4 - Indirect Cost Rate**

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

**William F. Ryan Community Health Center, Inc.**

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

**Section I - Summary of Auditors' Results**

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with U.S. GAAP: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?  yes  no

Significant deficiency(ies) identified?  yes  none reported

Noncompliance material to financial statements noted?  yes  no

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified?  yes  no

Significant deficiency(ies) identified?  yes  none reported

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

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

Identification of major federal programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
93.224/93.527	Health Center Program Cluster
93.939	HIV Prevention Activities Non-Governmental Organization Based

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

Auditee qualified as low-risk auditee?  yes  no

**William F. Ryan Community Health Center, Inc.**

Schedule of Findings and Questioned Costs *(continued)*  
Year Ended December 31, 2019

**Section II - Financial Statement Findings**

During our audit, we noted no material findings for the year ended December 31, 2019.

**Section III - Federal Awards Findings and Questioned Costs**

During our audit, we noted no material instances of noncompliance and none of the costs reported in the federal financially assisted programs are questioned or recommended to be disallowed.

**Section IV – Prior Year’s Findings**

There were no prior year audit findings.