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Goodwin Community Health

FINANCIAL STATEMENTS

and

*REPORTS IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS AND THE UNIFORM GUIDANCE*

June 30, 2017

With Independent Auditor's Report

BerryDunn

# INDEPENDENT AUDITOR'S REPORT

Board of Directors
Goodwin Community Health

## Report on Consolidated Financial Statements

We have audited the accompanying financial statements of Goodwin Community Health, which comprise the balance sheet as of June 30, 2017, and the related statements of operations and changes in net assets 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 U.S. generally accepted accounting principles; 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 audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 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 Goodwin Community Health as of June 30, 2017, and the results of its operations, changes in its net assets and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

***Other Matter***

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, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the 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 U.S. generally accepted auditing standards. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2017 on our consideration of Goodwin Community Health's internal control over financial reporting and on our tests of their compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Goodwin Community Health's internal control over financial reporting and compliance.

Berry Dunn McNeil & Parker, LLC

Portland, Maine
November 21, 2017

**GOODWIN COMMUNITY HEALTH**

**Balance Sheet**

**June 30, 2017**

## ASSETS

| | |
|---|---|
| Current assets | |
| Cash and cash equivalents | $ 2,186,923 |
| Patient accounts receivable, less allowance for uncollectible accounts of $203,232 | 1,083,107 |
| Grants receivable | 902,280 |
| Inventory | 148,100 |
| Other current assets | 14,841 |
| Total current assets | 4,335,251 |
| Investments | 1,136,292 |
| Investment in limited liability company | 20,298 |
| Property and equipment, net | 6,004,587 |
| Total assets | $11,496,428 |

## LIABILITIES AND NET ASSETS

| | |
|---|---|
| Current liabilities | |
| Accounts payable and accrued expenses | $ 161,654 |
| Accrued payroll and related expenses | 572,658 |
| Patient deposits | 117,232 |
| Deferred revenue | 47,147 |
| Total current liabilities | 898,691 |
| Net assets | |
| Unrestricted | 10,597,737 |
| Total liabilities and net assets | $ 11,496,428 |

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

**GOODWIN COMMUNITY HEALTH**

**Statements of Operations and Changes in Net Assets**

**Year Ended June 30, 2017**

| | |
|---|---|
| Operating revenue and support | |
| Patient service revenue | $ 7,797,344 |
| Provision for bad debts | (365,013) |
| Net patient service revenue | 7,432,331 |
| Grants, contracts, and contributions | 4,175,262 |
| Equity in earnings of limited liability company | 4,095 |
| Other operating revenue | 49,854 |
| Total operating revenue and support | 11,661,542 |
| Operating expenses | |
| Salaries and benefits | 7,887,304 |
| Other operating expenses | 2,464,700 |
| Depreciation | 247,515 |
| Interest expense | 26,739 |
| Total operating expenses | 10,626,258 |
| Operating surplus | 1,035,284 |
| Other revenue and gains | |
| Investment income | 18,122 |
| Change in fair value of investments | 25,078 |
| Total other revenue and gains | 43,200 |
| Excess of revenue over expenses | 1,078,484 |
| Grants and contributions for capital acquisition | 203,073 |
| Increase in unrestricted net assets | 1,281,557 |
| Net assets, beginning of year | 9,316,180 |
| Net assets, end of year | $10,597,737 |

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

**GOODWIN COMMUNITY HEALTH**

**Statement of Cash Flows**

**Year Ended June 30, 2017**

| | |
|---|---|
| Cash flows from operating activities | |
| Change in net assets | $ 1,281,557 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities | |
| Provision for bad debts | 365,013 |
| Depreciation | 247,515 |
| Equity in earnings of limited liability company | (4,095) |
| Change in fair value of investments | (25,078) |
| Grants and contributions for capital acquisition | (203,073) |
| (Increase) decrease in | |
| Patient accounts receivable | (523,289) |
| Grants receivable | (286,587) |
| Inventory | (90,349) |
| Other current assets | 12,618 |
| Increase in | |
| Accounts payable and accrued expenses | 45,802 |
| Accrued salaries and related amounts | 89,076 |
| Deferred revenue | 47,147 |
| Patient deposits | 16,948 |
| Net cash provided by operating activities | 973,205 |
| Cash flows from investing activities | |
| Capital acquisitions | (188,457) |
| Proceeds from sale of investments | 101,276 |
| Purchase of investments | (1,010,296) |
| Net cash used by investing activities | (1,097,477) |
| Cash flows from financing activities | |
| Grants and contributions for capital acquisition | 203,073 |
| Pay off of long-term debt | (529,279) |
| Net cash used by financing activities | (326,206) |
| Net decrease in cash and cash equivalents | (450,478) |
| Cash and cash equivalents, beginning of year | 2,637,401 |
| Cash and cash equivalents, end of year | $ 2,186,923 |
| Supplemental disclosures of cash flow information | |
| Cash paid for interest | $ 26,739 |

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

## 1. Summary of Significant Accounting Policies

### Organization

Goodwin Community Health (the Organization) is a non-stock, not-for-profit corporation organized in New Hampshire. The Organization is a Federally Qualified Health Center (FQHC) which provides prenatal care, social support, and public health services to low-income persons.

### Income Taxes

The Organization is a public charity under Section 501(c)(3) of the Internal Revenue Code. As a public charity, the Organization is exempt from state and federal income taxes on income earned in accordance with its tax-exempt purpose. Unrelated business income is subject to state and federal income tax. Management has evaluated the Organization's tax positions and concluded that the Organization has no unrelated business income or uncertain tax positions that require adjustment to the financial statements.

### Use of Estimates

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

### Cash and Cash Equivalents

Cash and cash equivalents consist of demand deposits and petty cash funds.

### Allowance for Uncollectible Accounts

Patient accounts receivable are stated at the amount management expects to collect from outstanding balances. Patient accounts receivable are reduced by an allowance for uncollectible accounts. In evaluating the collectability of patient accounts receivable, the Organization analyzes its past history and identifies trends for each funding source. Management regularly reviews data about revenue in evaluating the sufficiency of the allowance for uncollectible accounts. Amounts not collected after all reasonable collection efforts have been exhausted are applied against the allowance for uncollectible accounts.

A reconciliation of the allowance for uncollectible accounts at June 30, 2017 follows:

| | |
|---|---|
| Balance, beginning of year | $ 128,995 |
| Provision | 365,013 |
| Write-offs | (290,776) |
| Balance, end of year | $ 203,232 |

The increase in the allowance is primarily due to an increase in the amount due from patients with commercial insurance as a result of increased deductibles and co-pays.

## Grants Receivable

Grants receivable are stated at the amount management expects to collect from outstanding balances. All such amounts are considered collectible.

## Inventory

Inventory consisting of pharmaceutical drugs is valued first-in, first-out method and is measured at the lower of cost or market.

## Investments

The Organization reports investments at fair value and has elected to report all gains and losses in the excess of revenues over expenses to simplify the presentation of these amounts in the statement of operations. Investments include board-designated assets for future operations and other purposes as identified by the Board of Directors. Accordingly, investments have been classified as non-current assets on the accompanying balance sheet regardless of maturity or liquidity. The Organization has established policies governing long-term investments.

Investment income and the change in fair value are included in the excess of revenue over expenses, unless otherwise stipulated by the donor or State Law.

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

## Investment in Limited Liability Company

The Organization is one of eight members who have each made a capital contribution of $500 to Primary Health Care Partners, LLC (PHCP) during 2015. The Organization's investment in PHCP is reported using the equity method and the investment amounted to $20,298 at June 30, 2017.

## Property and Equipment

Property and equipment acquisitions are recorded at cost. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed on the straight-line method.

Gifts of long-lived assets, such as land, buildings, or equipment, are reported as unrestricted net assets and excluded from the excess of revenues over expenses, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as temporarily restricted net assets. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

## Patient Deposits

Patient deposits consist of payments made by patients in advance of significant dental work based on quotes for the work to be performed.

## Patient Service Revenue

Patient service revenue is reported at the estimated net realizable amounts from patients, third-party payers, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payers. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

## Charity Care

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

## 340B Drug Pricing Program

The Organization, as an FQHC, is eligible to participate in the 340B Drug Pricing Program. The program requires drug manufacturers to provide outpatient drugs to FQHC's and other identified entities at a reduced price. The Organization operates a pharmacy and also contracts with local pharmacies under this program. The local pharmacies dispense drugs to eligible patients of the Organization and bill Medicare and commercial insurances on behalf of the Organization. Reimbursement received by the contracted pharmacies is remitted to the Organization, less dispensing and administrative fees. Gross revenue generated from the program is included in patient service revenue. Contracted expenses and drug costs incurred related to the program are included in other operating expenses. Expenses related to the operation of the Organization's pharmacy are categorized in the applicable operating expense classifications.

## Donor-Restricted Gifts

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received. The gifts are reported as either temporarily or permanently restricted support 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), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of operations as "net assets released from restrictions." Donor-restricted contributions whose restrictions are met in the same year as received are reflected as unrestricted contributions in the accompanying financial statements.

## Functional Expenses

The Organization provides various services to residents within its geographic location. Expenses related to providing these services are as follows:

| | |
|---|---|
| Program services | $ 8,756,283 |
| Administrative and general | 1,536,687 |
| Fundraising | 333,288 |
| Total | $10,626,258 |

## Excess of Revenue Over Expenses

The statement of operations reflects the excess of revenue over expenses. Changes in unrestricted net assets which are excluded from the excess of revenue over expenses, consistent with industry practice, include contributions of long-lived assets (including assets acquired using contributions which, by donor restriction, were to be used for the purposes of acquiring such assets).

## Subsequent Events

For purposes of the preparation of these financial statements, management has considered transactions or events occurring through November 21, 2017, the date that the financial statements were available to be issued. Management has not evaluated subsequent events after that date for inclusion in the financial statements.

In accordance with a Board-approved merger agreement dated August 1, 2017 and a plan of merger dated November 8, 2017, the operations of Families First of the Greater Seacoast are anticipated to merge into the Organization on January 1, 2018. The Organization will be the surviving entity with the new legal business name of Greater Seacoast Community Health. The Organization is awaiting approval of the proposed merger by the State of New Hampshire and Health Resources Services Administration.

## 2. Investments and Fair Value Measurement

Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) Topic 820, *Fair Value Measurement*, defines fair value as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants and also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

The fair value hierarchy within FASB ASC Topic 820 distinguishes three levels of inputs that may be utilized when measuring fair value:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, and other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect an entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

The following table sets forth by level, within the fair value hierarchy, the Organization's investments at fair value measured on a recurring basis:

| | Investments at Fair Value as of June 30, 2017 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Cash and cash equivalents | $ 270,317 | $ - | $ - | $ 270,317 |
| Municipal bonds | - | 242,319 | - | 242,319 |
| Exchange traded funds | 228,280 | - | - | 228,280 |
| Mutual funds | 395,376 | - | - | 395,376 |
| Total investments | $ 893,973 | $ 242,319 | $ - | $ 1,136,292 |

Municipal bonds are valued based on quoted market prices of similar assets.

## 3. Property and Equipment

Property and equipment consisted of the following at June 30, 2017:

| | |
|---|---|
| Land | $ 718,427 |
| Building and improvements | 5,888,318 |
| Furniture, fixtures, and equipment | 1,552,983 |
| Total cost | 8,159,728 |
| Less accumulated depreciation | 2,155,141 |
| Property and equipment, net | $ 6,004,587 |

The Organization's facility was built and renovated with federal grant funding under the ARRA - Capital Improvement Program and ACA - Capital Development Program. In accordance with the grant agreements, a Notice of Federal Interest (NFI) was required to be filed in the appropriate official records of the jurisdiction in which the property is located. The NFI is designed to notify any prospective buyer or creditor that the Federal Government has a financial interest in the real property acquired under the aforementioned grant; that the property may not be used for any purpose inconsistent with that authorized by the grant program statute and applicable regulations; that the property may not be mortgaged or otherwise used as collateral without the written permission of the Associate Administrator of the Office of Federal Assistance Management (OFAM) and the Health Resources and Services Administration (HRSA); and that the property may not be sold or transferred to another party without the written permission of the Associate Administrator of OFAM and HRSA.

## 4. Patient Service Revenue

Patient service revenue is as follows:

| | Year ended June 30, 2017 | | | |
|---|---|---|---|---|
| | Medical | Dental | Pharmacy | Total |
| Medicare | $ 726,055 | $ - | $ 56,771 | $ 782,826 |
| Medicaid | 2,146,149 | 387,028 | 137,237 | 2,670,414 |
| Third-party payers and self pay | 1,965,113 | 792,890 | 385,810 | 3,143,813 |
| Total | 4,837,317 | 1,179,918 | 579,818 | 6,597,053 |
| Contracted pharmacy revenue | - | - | 1,200,291 | 1,200,291 |
| Total patient service revenue | $ 4,837,317 | $ 1,179,918 | $ 1,780,109 | $ 7,797,344 |

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. The Organization believes that it is in compliance with all laws and regulations. Compliance with such laws and regulations can be subject to future government review and interpretation, as well as significant regulatory action including fines, penalties and exclusion from the Medicare and Medicaid programs. Differences between amounts previously estimated and amounts subsequently determined to be recoverable or payable are included in patient service revenue in the year that such amounts become known.

A summary of the payment arrangements with major third-party payers follows:

Medicare

The Organization is reimbursed for the medical care of qualified patients on a prospective basis, with retroactive settlements related to vaccine costs only. The prospective payment is based on a geographically-adjusted rate determined by Federal guidelines. Overall, reimbursement is subject to a maximum allowable rate per visit. The Organization's Medicare cost reports have been audited by the Medicare administrative contractor through June 30, 2016.

Medicaid and Other Payers

The Organization also has entered into payment agreements with Medicaid and certain commercial insurance carriers, health maintenance organizations and preferred provider organizations. The basis for payment to the Organization under these agreements includes prospectively-determined rates per visit, discounts from established charges and capitated arrangements for primary care services on a per-member, per-month basis.

The Organization provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. The Organization estimates the costs associated with providing charity care by calculating the ratio of total cost to total charges, and then multiplying that ratio by the gross uncompensated charges associated with providing care to patients eligible for free care. The estimated cost of providing services to patients under the Organization charity care policy amounted to approximately $479,000 for the year ended June 30, 2017.

The Organization is able to provide these services with a component of funds received through local community support and federal and state grants.

## 5. Retirement Plan

The Organization has a defined contribution plan under Internal Revenue Code Section 401(k) that covers substantially all employees. During 2017, contributions amounted to $107,862.

## 6. Food Vouchers

The Organization acts as a conduit for the State of New Hampshire’s Special Supplemental Food Program for Women, Infants and Children (WIC). The value of food vouchers distributed by the Organization was $1,240,323 for the year ended June 30, 2017. These amounts are not included in the accompanying financial statements as they are not part of the contract the Organization has with the State of New Hampshire for the WIC program.

## 7. Concentration of Risk

The Organization has cash deposits in major financial institutions which exceed federal depository insurance limits. The financial institutions have a strong credit rating and management believes the credit risk related to these deposits is minimal.

The Organization grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payer agreements. At June 30, 2017, New Hampshire Medicaid represented 20%, and Medicare represented 18%, of gross accounts receivable. No other individual payer source exceeded 10% of the gross accounts receivable balance.

The Organization receives a significant amount of grants from the U.S. Department of Health and Human Services (DHHS). As with all government funding, these grants are subject to reduction or termination in future years. For the year ended June 30, 2017, grants from DHHS (including both direct awards and awards passed through other organizations) represented approximately 78% of grants, contracts, and contributions.

## 8. Malpractice Insurance

The Organization is protected from medical malpractice risk as an FQHC under the Federal Tort Claims Act (FTCA). The Organization has additional medical malpractice insurance, on a claims-made basis, for coverage outside the scope of the protection of the FTCA. As of June 30, 2017, there were no known malpractice claims outstanding which, in the opinion of management, will be settled for amounts in excess of both FTCA and insurance coverage, nor are there any unasserted claims or incidents which require loss accrual. The Organization intends to renew the additional medical malpractice insurance coverage on a claims-made basis and anticipates that such coverage will be available.

# SUPPLEMENTARY INFORMATION

**GOODWIN COMMUNITY HEALTH**

**Schedule of Expenditures of Federal Awards**

**Year Ended June 30, 2017**

| Federal Grant/Pass-Through Grantor/Program Title | Federal CFDA Number | Pass-Through Contract Number | Total Federal Expenditures |
|---|---|---|---|
| U.S. Department of Health and Human Services | | | |
| *Direct* | | | |
| *Health Centers Cluster* | | | |
| Consolidated Health Centers (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care) | 93.224 | | $ 390,238 |
| Affordable Care Act (ACA) Grants for Capital Development in Health Centers | 93.526 | | 4,200 |
| Affordable Care Act (ACA) Grants for New and Expanded Services Under the Health Center Program | 93.527 | | 1,974,559 |
| Total Health Centers Cluster | | | 2,368,997 |
| *Pass-Through* | | | |
| *State of New Hampshire Department of Health and Human Services* | | | |
| Block Grants for Prevention and Treatment of Substance Abuse | 93.959 | 102-500734 / 49156501 | 317,279 |
| Block Grants for Prevention and Treatment of Substance Abuse | 93.959 | 102-500730 / 90077021 | 124,524 |
| Total CFDA 93.959 | | | 441,803 |
| Preventive Health and Health Services Block Grant Funded Solely with Prevention and Public Health Funds (PPHF) | 93.758 | 102-500731 / 90072003 | 21,719 |
| Preventive Health and Health Services Block Grant Funded Solely with Prevention and Public Health Funds (PPHF) | 93.758 | 102-500734 / 49156501 | 13,489 |
| Total CFDA 93.758 | | | 35,208 |
| Public Health Emergency Preparedness | 93.069 | 102-500734 / 49156501 | 24,261 |
| Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements | 93.074 | 102-500734 / 49156501 | 24,261 |
| Family Planning Services | 93.217 | 102-500734 / 90080203 | 53,319 |
| Immunization Cooperative Agreements | 93.268 | 102-500731 / 90023010 | 10,596 |
| Nurse Education, Practice Quality and Retention Grants | 93.359 | 102-500734 | 51,803 |
| Temporary Assistance for Needy Families | 93.558 | 502-500891 / 45030203 | 17,839 |
| Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations financed in part by Prevention and Public Health Funds | 93.752 | 102-500731 / 90080081 | 40,212 |
| Maternal and Child Health Services Block Grant to the States | 93.994 | 102-500731 / 90080400 | 22,844 |
| *Bi-State Primary Care Association* | | | |
| Cooperative Agreement to Support Navigators in Federally-facilitated and State Partnership Marketplaces | 93.332 | n/a | 44,324 |
| *Community Health Access Network, Inc.* | | | |
| Centers for Disease Control and Prevention Investigations and Technical Assistance | 93.283 | n/a | 7,978 |
| Total U.S. Department of Health and Human Services | | | 3,143,445 |
| United States Department of Agriculture | | | |
| *Pass-Through* | | | |
| *State of New Hampshire Department of Health and Human Services* | | | |
| Special Supplemental Nutrition Program for Women, Infants, and Children | 10.557 | 102-500743 | 481,399 |
| Total Federal Awards, All Programs | | | $ 3,624,844 |

The accompanying notes are an integral part of this schedule.

**GOODWIN COMMUNITY HEALTH**

**Notes to Schedule of Expenditures of Federal Awards**

**Year Ended June 30, 2017**

## 1. Basis of Presentation

The schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Goodwin Community Health (the Organization). 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 Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

## 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. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available. The Organization has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Directors
Goodwin Community Health

We have audited, in accordance with U.S. generally accepted auditing standards 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 Goodwin Community Health (the Organization), which comprise the balance sheet as of June 30, 2017, and the related statements of operations and changes in net assets and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 21, 2017.

**Internal Control Over Financial Reporting**

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

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

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Organization's 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*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Berry Dunn McNeil & Parker, LLC

Portland, Maine
November 21, 2017

BerryDunn

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Board of Directors
Goodwin Community Health

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

We have audited Goodwin Community Health's (the Organization) compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on its major federal program for the year ended June 30, 2017. The Organization's major federal program is 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 the Organization's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

***Opinion on the Major Federal Program***

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2017.

***Other Matters***

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2017-001. Our opinion on the major federal program is not modified with respect to this matter.

The Organization's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs related to federal awards. The Organization's response was not subjected to the auditing procedures applied in the audit and, accordingly, we express no opinion on the response.

**Report on Internal Control Over Compliance**

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

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or 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.

Berry Dunn McNeil & Parker, LLC

Portland, Maine
November 21, 2017

**GOODWIN COMMUNITY HEALTH**

**Schedule of Findings and Questioned Costs**

**Year Ended June 30, 2017**

## 1. Summary of Auditor's Results

### Financial Statements

| | | | | |
|---|---|---|---|---|
| Type of auditor's report issued: | | Unmodified | | |
| Internal control over financial reporting: | | | | |
| Material weakness(es) identified? | ☐ | Yes | ☑ | No |
| Significant deficiency(ies) identified that are not considered to be material weakness(es)? | ☐ | Yes | ☑ | None reported |
| Noncompliance material to financial statements noted? | ☐ | Yes | ☑ | No |

### Federal Awards

| | | | | |
|---|---|---|---|---|
| Internal control over major programs: | | | | |
| Material weakness(es) identified: | ☐ | Yes | ☑ | No |
| Significant deficiency(ies) identified that are not considered to be material weakness(es)? | ☐ | Yes | ☑ | None reported |
| Type of auditor's report issued on compliance for major 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 programs:

| CFDA Number | Name of Federal Program or Cluster |
|---|---|
| | Health Centers Cluster |

| | | | | |
|---|---|---|---|---|
| Dollar threshold used to distinguish between Type A and Type B programs: | | $750,000 | | |
| Auditee qualified as low-risk auditee? | ☑ | Yes | ☐ | No |

## 2. Financial Statement Findings

None

## 3. Federal Award Findings and Questioned Costs

**Finding Number:** **2017-001**

| | |
|---|---|
| Information on the Federal Program: | Program Name: Health Centers Cluster<br>Agency: Health Resources and Services Administration<br>Budget Period(s): May 1, 2016 through April 30, 2017 and May 1, 2017 through April 30, 2018<br>Pass-Through Contract Number: n/a |
| Criteria: | Sliding fee adjustments should be consistently applied to all patients regardless of their insurance status. |
| Condition Found: | The Organization has a policy in place in which the sliding fee scale discounts for Medicare patients are applied to the patient balance rather than the charges for the procedures performed. |
| Questioned Costs: | None |
| Context: | Through testing the application of the Organization's sliding fee policy to 25 individual patient balances, five errors were noted (all Medicare patients). |
| Cause and Effect: | The Organization implemented a sliding fee policy which was more beneficial to Medicare patients due to their low income and age. The sliding fee scale policy cannot be more beneficial to certain classes of patients. The policy should be consistently applied to all patient classes. Applying the sliding fee scale discount to the patient co-pay balance resulted in Medicare patients paying significantly less than other patient classes would. |
| Recommendation: | We recommend the Organization’s sliding fee scale policy be updated as appropriate to include language that the sliding fee scale discount for patients with third party insurance is based on the maximum amount an eligible patient in that pay class is required to pay for a certain service, regardless of insurance status, subject to legal and contractual limitations. |

| | |
|---|---|
| Views of a Responsible Official and Corrective Action Plan: | In a review of Goodwin's sliding scale policy during July of 2017 it was determined that Goodwin incorrectly interpreted the sliding scale policy information notice. While it is appropriate to discount patient balances who have been approved on the sliding scale it was inaccurate to discount patients who have Medicare to a lower owed amount than an individual with no insurance. A correction has already been implemented as of October 1, 2017. |

Goodwin
Community Health

December 1, 2017

Goodwin Community Health respectfully submits the following corrective action plan for the year ended June 30, 2017.

**Federal Award Finding 2017-001**

Names of Contacts responsible for corrective action:

1. Erin Ross, CFO
2. Janet Laatsch, CEO

*Corrective Action Taken:* In July 2017, Goodwin worked with consultants to review all agency policies in advance of the agency's HRSA site review in October 2017. The misinterpretation of the sliding scale pin was discovered during this review. Procedures related to the discounting of patients who had Medicare as primary insurance in the sliding scale policy were updated. This revised procedure was approved as a part of the Financial policy review at Goodwin's September 19, 2017 Board Meeting. The revised policy and procedure was effective October 1, 2017.

To ensure the revised policy and procedure is followed accurately by all staff a random monthly audit will be conducted of ten visits with a financial class of Medicare that received a sliding scale discount. This audit will be added to Goodwin's Compliance Work plan in January 2018. The Compliance Committee will be responsible to review the monthly findings.

Please contact myself at (603) 516-2549 or Janet Laatsch at (603) 516-2550 if you have questions regarding this plan.

Respectfully submitted,

Erin Ross
Chief Financial Officer, Goodwin Community Health