

Healthcare Ready

Financial Statements
Including Uniform Guidance Reports
and Independent Auditor's Report

December 31, 2021 and 2020

Healthcare Ready

Financial Statements
December 31, 2021 and 2020

Contents

Independent Auditor's Report.....	1-4
<i>Financial Statements</i>	
Statements of Financial Position.....	5
Statements of Activities	6-7
Statements of Functional Expenses	8-9
Statements of Cash Flows.....	10
Notes to Financial Statements.....	11-18
<i>Supplementary Schedule and Reports Required by the Uniform Guidance</i>	
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 <i>Government Auditing Standards</i>	19-20
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	21-23
Schedule of Expenditures of Federal Awards.....	24
Notes to the Schedule of Expenditures of Federal Awards	25
Schedule of Findings and Questioned Costs.....	26-27
Corrective Action Plan.....	28
Schedule of Prior Audit Findings	29

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Healthcare Ready

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Healthcare Ready, which comprise the statement of financial position as of December 31, 2021; the related statements of activities, functional expenses, and cash flows for the year then ended; and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Healthcare Ready as of December 31, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Healthcare Ready and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

Responsibilities of Management for the Financial Statements (continued)

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Healthcare Ready's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Healthcare Ready's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Healthcare Ready's ability to continue as a going concern for a reasonable period of time.

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Matter

The financial statements of Healthcare Ready as of December 31, 2020, were audited by other auditors whose report, dated September 29, 2021, expressed an unmodified opinion on those statements.

Supplementary and Other Information

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 (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the 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 accompanying supplementary 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 September 29, 2022 on our consideration of Healthcare Ready'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 Healthcare Ready's internal control over financial reporting or on compliance.

Other Reporting Required by Government Auditing Standards (continued)

That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Healthcare Ready's internal control over financial reporting and compliance.

Handwritten signature in black ink that reads "Rogers + Company PLLC". The signature is written in a cursive, slightly stylized font.

Vienna, Virginia
September 29, 2022

Healthcare Ready

Statements of Financial Position December 31, 2021 and 2020

	2021	2020
Assets		
Cash	\$ 2,645,947	\$ 2,269,138
Federal grants receivable	79,798	60,498
Grants and contributions receivable	240,238	67,583
Accounts receivable	-	664
Prepaid expenses	14,770	15,321
Total assets	<u>\$ 2,980,753</u>	<u>\$ 2,413,204</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 82,157	\$ 69,666
Loan payable – Paycheck Protection Program	-	101,600
Deferred revenue	-	417,422
Total liabilities	<u>82,157</u>	<u>588,688</u>
Net Assets		
Without donor restrictions	\$ 2,490,407	1,824,516
With donor restrictions	408,189	-
Total net assets	<u>2,898,596</u>	<u>1,824,516</u>
Total liabilities and net assets	<u>\$ 2,980,753</u>	<u>\$ 2,413,204</u>

Healthcare Ready

Statement of Activities For the Year Ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support			
Federal grants	\$ 771,313	\$ -	\$ 771,313
Grants and contributions	1,297,354	581,139	1,878,493
Contract revenue	395,514	-	395,514
Miscellaneous revenue	103,100	-	103,100
Released from restrictions	172,950	(172,950)	-
Total revenue and support	<u>2,740,231</u>	<u>408,189</u>	<u>3,148,420</u>
Expenses			
Program services:			
Preparedness	1,097,676	-	1,097,676
Response	493,343	-	493,343
Recovery and resiliency	62,600	-	62,600
Total program services	<u>1,653,619</u>	<u>-</u>	<u>1,653,619</u>
Supporting services:			
Governance	31,373	-	31,373
Administrative	280,750	-	280,750
Communications	26,877	-	26,877
Fundraising	81,721	-	81,721
Total supporting services	<u>420,721</u>	<u>-</u>	<u>420,721</u>
Total expenses	<u>2,074,340</u>	<u>-</u>	<u>2,074,340</u>
Change in Net Assets	665,891	408,189	1,074,080
Net Assets, beginning of year	<u>1,824,516</u>	<u>-</u>	<u>1,824,516</u>
Net Assets, end of year	<u>\$ 2,490,407</u>	<u>\$ 408,189</u>	<u>\$ 2,898,596</u>

Healthcare Ready

Statement of Activities
For the Year Ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support			
Federal grants	\$ 762,909	\$ -	\$ 762,909
Grants and contributions	2,631,529	-	2,631,529
Contract revenue	441	-	441
Miscellaneous revenue	5,122	-	5,122
Total revenue and support	<u>3,400,001</u>	<u>-</u>	<u>3,400,001</u>
Expenses			
Program services:			
Preparedness	867,102	-	867,102
Response	615,431	-	615,431
Recovery and resiliency	56,524	-	56,524
Total program services	<u>1,539,057</u>	<u>-</u>	<u>1,539,057</u>
Supporting services:			
Governance	212,897	-	212,897
Administrative	20,816	-	20,816
Communications	20,606	-	20,606
Fundraising	16,944	-	16,944
Total supporting services	<u>271,263</u>	<u>-</u>	<u>271,263</u>
Total expenses	<u>1,810,320</u>	<u>-</u>	<u>1,810,320</u>
Change in Net Assets	1,589,681	-	1,589,681
Net Assets , beginning of year	<u>234,835</u>	<u>-</u>	<u>234,835</u>
Net Assets , end of year	<u>\$ 1,824,516</u>	<u>\$ -</u>	<u>\$ 1,824,516</u>

See accompanying notes.

Healthcare Ready

Statement of Functional Expenses
For the Year Ended December 31, 2021

	Program Services				Supporting Services					Total
	Preparedness	Response	Recovery and Resiliency	Total Program Services	Governance	Administrative	Communications	Fundraising	Total Supporting Services	
Salaries and benefits	\$ 744,932	\$ 350,321	\$ 34,736	\$ 1,129,989	\$ 3,566	\$ 4,025	\$ -	\$ 73,131	\$ 80,722	\$ 1,210,711
Professional services	211,626	133,109	27,252	371,987	19,436	173,017	26,877	-	219,330	591,317
Fundraising	-	-	-	-	-	-	-	1,266	1,266	1,266
Legal and accounting	1,062	857	-	1,919	-	102,961	-	1,438	104,399	106,318
Meetings and conferences	19	1,938	-	1,957	-	-	-	56	56	2,013
Travel	423	920	-	1,343	-	747	-	224	971	2,314
Supplies and materials	1,715	52	49	1,816	-	-	-	-	-	1,816
Mailing and production	718	21	-	739	-	-	-	99	99	838
Facility and equipment	81,633	2,499	64	84,196	10	-	-	-	10	84,206
Licenses and fees	9,518	291	-	9,809	-	-	-	-	-	9,809
Business expenses	5,829	1,888	-	7,717	-	-	-	-	-	7,717
Other expenses	40,201	1,447	499	42,147	8,361	-	-	5,507	13,868	56,015
Total Expenses	\$ 1,097,676	\$ 493,343	\$ 62,600	\$ 1,653,619	\$ 31,373	\$ 280,750	\$ 26,877	\$ 81,721	\$ 420,721	\$ 2,074,340

See accompanying notes.

Healthcare Ready

Statement of Functional Expenses
For the Year Ended December 31, 2020

	Program Services				Supporting Services					Total
	Preparedness	Response	Recovery and Resiliency	Total Program Services	Governance	Administrative	Communications	Fundraising	Total Supporting Services	
Salaries and benefits	\$ 534,225	\$ 395,512	\$ 38,830	\$ 968,567	\$ 37,590	\$ -	\$ -	\$ -	\$ 37,590	\$ 1,006,157
Professional services	191,105	188,996	14,899	395,000	107,027	12,214	20,606	-	139,847	534,847
Fundraising	-	-	-	-	-	-	-	11,159	11,159	11,159
Legal and accounting	3,735	15,071	1,350	20,156	67,702	-	-	-	67,702	87,858
Meetings and conferences	1,253	4,782	-	6,035	3	211	-	-	214	6,249
Travel	1,513	983	823	3,319	575	92	-	-	667	3,986
Supplies and materials	610	63	191	864	-	-	-	-	-	864
Mailing and production	2,304	3,649	-	5,953	-	-	-	21	21	5,974
Facility and equipment	80,756	2,538	184	83,478	-	3	-	-	3	83,481
Licenses and fees	3,975	125	-	4,100	-	-	-	-	-	4,100
Business expenses	1,146	171	-	1,317	-	-	-	-	-	1,317
Other expenses	46,480	3,541	247	50,268	-	8,296	-	5,764	14,060	64,328
Total Expenses	\$ 867,102	\$ 615,431	\$ 56,524	\$ 1,539,057	\$ 212,897	\$ 20,816	\$ 20,606	\$ 16,944	\$ 271,263	\$ 1,810,320

Healthcare Ready

Statements of Cash Flows For the Years Ended December 31, 2021 and 2020

	2021	2020
Cash Flows from Operating Activities		
Change in net assets	\$ 1,074,080	\$ 1,589,681
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Forgiveness of loan payable – Paycheck Protection Program	(101,600)	-
Change in assets and liabilities:		
(Increase) decrease in:		
Federal grants receivable	(19,300)	-
Grants and contributions receivable	(172,655)	(42,286)
Accounts receivable	664	-
Prepaid expenses	551	(2,213)
Decrease (increase) in:		
Accounts payable and accrued expenses	12,491	18,145
Deferred revenue	(417,422)	231,131
	376,809	1,794,458
Cash Flows from Financing Activity		
Proceeds from issuance of loan – Paycheck Protection Program	-	101,600
	-	101,600
Net cash provided by financing activity	-	101,600
Net Increase in Cash	376,809	1,896,058
Cash, beginning of year	2,269,138	373,080
Cash, end of year	\$ 2,645,947	\$ 2,269,138

See accompanying notes.

Healthcare Ready

Notes to Financial Statements
December 31, 2021 and 2020

1. Nature of Operations

Healthcare Ready helps to strengthen healthcare supply chains through collaboration with public health and private sectors by addressing pressing issues before, during, and after disasters. As the convener of industry and government, we safeguard patient health by providing solutions to critical problems. Healthcare Ready provides best practices for healthcare preparedness and response.

2. Summary of Significant Accounting Policies

Basis of Accounting and Presentation

Healthcare Ready's financial statements are prepared on the accrual basis of accounting. Net assets are reported based on the presence or absence of donor-imposed restrictions, as follows:

- *Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.
- *Net Assets With Donor Restrictions* – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Federal Grants Receivable

Federal grants receivable consist of amounts due to be reimbursed to Healthcare Ready for expenses incurred under the various grants and contractual agreements with the U.S. Government. The entire amount is expected to be collected within one year, and is recorded at net realizable value at December 31, 2021 and 2020. No allowance for doubtful amounts is recorded, as management believes that all receivables are fully collectible.

Healthcare Ready

Notes to Financial Statements
December 31, 2021 and 2020

2. Summary of Significant Accounting Policies (continued)

Grants and Contributions Receivable

At December 31, 2021 and 2020, all grants and contributions receivable were expected to be collected within one year. The receivables are recorded at net realizable value. Management periodically reviews the status of all receivable for collectability, and uses the direct write-off method if any receivables are deemed uncollectible. All balances at December 31, 2021 and 2020 are deemed collectible, and no allowance for doubtful receivables was recorded.

Accounts Receivable

Healthcare Ready's accounts receivable are all due in less than one year and are recorded at net realizable value. Healthcare Ready writes off accounts receivable when they become uncollectible. When necessary, an allowance for uncollectible accounts receivable is determined based upon management's best estimate of the potential future uncollectibility of accounts outstanding. No allowance for doubtful accounts was established at December 31, 2021 and 2020, as management has determined all receivables are deemed fully collectible.

Property and Equipment

Property and equipment purchased at a cost of \$1,000 or more and with a projected useful life exceeding one year are capitalized and recorded at cost. Depreciation and amortization is computed using the straight-line method over the estimated useful lives of the individual assets, which is three years. Repairs and maintenance costs are expensed as incurred.

Revenue Recognition

Revenue Accounted for in Accordance with Contribution Accounting

Grants and contributions that are nonreciprocal are recognized as revenue when cash, securities, or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Healthcare Ready reports gifts of cash and other assets as restricted support if they are received or promised with donor stipulations that limit the use of the donated funds to one of Healthcare Ready's programs or to a future year.

Healthcare Ready

Notes to Financial Statements
December 31, 2021 and 2020

2. Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

Revenue Accounted for in Accordance with Contribution Accounting (continued)

When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Conditional contributions contain a donor-imposed condition that represents a barrier, such as a milestone, that must be overcome before Healthcare Ready is entitled to the assets transferred or promised. Failure to overcome the barrier gives the donor a right of return of the assets it has transferred or gives the promisor a right of release from its obligation to transfer its assets. Additionally, Healthcare Ready has agreements with government agencies. The agreements contain substantial conditions that must be met prior to recognition of revenue. The donor-imposed conditions primarily consist of qualifying expenditures that must be incurred by Healthcare Ready before the governmental agencies will reimburse those expenditures. Conditional contributions are recognized as revenue, either with or without donor restrictions, when donor-imposed conditions are substantially met, and any barriers are overcome. Donor restrictions are also satisfied when qualifying expenditures are incurred for the donor-specified program.

Revenue Accounted for as Contracts with Customers

Revenue is recognized when Healthcare Ready satisfies a performance obligation by transferring a promised good to, or performing a service for, a customer. The amount of revenue recognized reflects the consideration Healthcare Ready expects to receive in exchange for satisfying distinct performance obligations. If a performance obligation does not meet the criteria to be considered distinct, Healthcare Ready combines it with other performance obligations until a distinct bundle of goods or services exists. Fees or amounts received in advance of satisfying contractual performance obligations are reflected as deferred revenue in the statements of financial position. Revenue is recognized either over time or at the point in time that contractual obligations are met.

Healthcare Ready

Notes to Financial Statements
December 31, 2021 and 2020

2. Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

Revenue Accounted for as Contracts with Customers (continued)

Contract revenue consists of agreements and contracts in which Healthcare Ready provides services in support of its programs and mission, and meets performance obligation per the contract arrangements to earn revenue. Amounts received in advance are recorded as deferred revenue until the performance obligations are met and the revenue is earned. At December 31, 2021 and 2020, deferred revenue totaled \$0 and \$417,422, respectively, and are reflected in the accompanying statements of financial position.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Advertising Costs

Advertising costs are expensed as incurred. During the years ended December 31, 2021 and 2020, there were no advertising costs.

Recently Issued Accounting Pronouncement

In February 2016, the Financial Accounting Standards Board issued Accounting Standards Update 2016-02, *Leases*. The update requires a lessee to recognize a right-of-use asset and lease liability, initially measured at the present value of the lease payments, in its statements of financial position. The guidance also expands the required quantitative and qualitative lease disclosures. The guidance is effective in 2022.

Healthcare Ready

Notes to Financial Statements
December 31, 2021 and 2020

2. Summary of Significant Accounting Policies (continued)

Reclassifications

Certain amounts in the 2020 financial statements have been reclassified to conform to the 2021 presentation. These reclassifications have no effect on the change in net assets previously reported.

Subsequent Events

In preparing these financial statements, Healthcare Ready has evaluated events and transactions for potential recognition or disclosure through September 29, 2022, the date the financial statements were available to be issued.

3. Liquidity and Availability

Healthcare Ready strives to maintain liquid financial assets sufficient to cover at least 90 days of general expenditures. Management periodically reviews Healthcare Ready's liquid asset needs and adjusts the cash balance as necessary. Additionally, Healthcare Ready considers net assets with donor restrictions for use in current programs that are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures.

Financial assets available for general expenditures within one year of the statements of financial position date, consist of the following at December 31:

	<u>2021</u>	<u>2020</u>
Cash	\$ 2,645,947	\$ 2,269,138
Federal grants receivable	79,798	60,498
Grants and contributions receivable	240,238	67,583
Accounts receivable	-	664
	<u> </u>	<u> </u>
Total available for general expenditures	<u>\$ 2,965,983</u>	<u>\$ 2,397,883</u>

Healthcare Ready

Notes to Financial Statements
December 31, 2021 and 2020

4. Concentrations of Risk

Credit Risk

Financial instruments that potentially subject Healthcare Ready to significant concentrations of credit risk consist of cash. Healthcare Ready maintains cash deposit and transaction accounts with a financial institution and these values, from time to time, may exceed insurable limits under the Federal Deposit Insurance Corporation (FDIC). Healthcare Ready has not experienced any credit losses on its cash to date as it relates to FDIC insurance limits. Management periodically assesses the financial condition of this financial institution and believes that the risk of any credit loss is minimal.

Revenue Risk

During the years ended December 31, 2021 and 2020, a substantial portion of Healthcare Ready's revenue was generated from four sources and one source, respectively. The revenues from these sources totaled 58% and 15% of Healthcare Ready's total revenue and support for the years ended December 31, 2021 and 2020, respectively. A potential reduction or change in funding from these sources in the future could significantly impact Healthcare Ready's ability to carry out its current program activities.

5. Loan Payable – Paycheck Protection Program

Healthcare Ready applied for a loan under the Paycheck Protection Program (PPP) pursuant to Division A, Title 1 of the CARES Act, which was enacted on March 27, 2020. The PPP is a loan designed to provide a direct incentive for small businesses to keep their workers on the payroll through the COVID-19 pandemic, for which Healthcare Ready qualified. After the loans are granted, the Small Business Administration (SBA) will forgive loans if all employee retention criteria are met, and the funds are used for eligible expenses (which primarily consist of payroll costs, costs used to continue group healthcare benefits, rent, and utilities).

The loan was granted to Healthcare Ready on May 4, 2020 in the amount of \$101,600 with terms including a 1.00% fixed interest rate. The loan was scheduled to mature on May 4, 2022. At December 31, 2020, the amount is recorded as a loan payable, which is reflected in the accompanying statements of financial position. On April 7, 2021, the SBA approved full forgiveness of the loan, and remitted the forgiveness amount to the financial institution, including applicable interest accruals. For the year ended December 31, 2021, Healthcare Ready recorded \$101,600 as miscellaneous revenue, which is reflected in the accompanying statement of activities.

Healthcare Ready

Notes to Financial Statements
December 31, 2021 and 2020

6. Net Assets With Donor Restrictions

Net assets with donor restrictions consist of the following at December 31, 2021:

Purpose restricted:	
Support PCPs in Community Health Clinics and Federally Qualified Health Centers	\$ 274,775
COVID-19 vaccination efforts	<u>133,414</u>
Total net assets with donor restrictions	<u>\$ 408,189</u>

There were no net assets with donor restrictions at December 31, 2020.

7. Commitments and Contingencies

Operating Lease

Healthcare Ready leases office space for operations under a month-to-month operating lease agreement. The terms of the lease require fixed monthly rental payments.

Federal Grants

Funds received from federal and other government agencies are subject to an audit under the provisions of the grant agreements. The ultimate determination of amounts received under these grants is based upon the allowance of costs reported to and accepted by the oversight agencies. Until such grants are completed, a potential contingency exists to refund any amounts received in excess of allowable costs. Management is of the opinion that no material liability exists.

Employment Agreement

Healthcare Ready has a signed employment agreement with its Executive Director that requires severance payments upon the occurrence of certain contractual events.

Healthcare Ready

Notes to Financial Statements
December 31, 2021 and 2020

8. Functionalized Expenses

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Where feasible, Healthcare Ready allocates its expenses directly to specific functions. The expenses that are allocated include salaries, benefits, and payroll taxes, which are allocated on the basis of estimates of time and effort. Additionally, the majority of Healthcare Ready's expenses are allocated utilizing an overhead cost allocation methodology based on actual staff time and effort spent on the specific function.

9. Retirement Plan

Healthcare Ready maintains a retirement plan for its employees under Section 401(k) of the Internal Revenue Code (IRC) that covers substantially all employees meeting certain age and service requirements. Participants contribute a portion of their annual compensation on a pretax basis, subject to limitations established by the Internal Revenue Service. Healthcare Ready makes matching contributions to the plan in an amount equal to 100% of the participants' salary deferrals that do not exceed 3% of the compensation, plus 50% of salary deferrals between 3-5% of compensation. During the years ended December 31, 2021 and 2020, contributions to the plan totaled \$25,085 and \$20,021, respectively.

10. Income Taxes

Healthcare Ready is recognized as a tax-exempt, publicly supported organization under Section 501(c)(3) of the IRC and is exempt from income taxes except for taxes on unrelated business activities. For the years ended December 31, 2021 and 2020, there was no unrelated business income and, accordingly, no federal or state income taxes have been recorded. Contributions to Healthcare Ready are deductible as provided in IRC Section 170(b)(1)(A)(vi). Management has evaluated Healthcare Ready's tax positions and concluded that the financial statements do not include any uncertain tax positions.

**SUPPLEMENTARY SCHEDULE AND REPORTS REQUIRED
BY THE UNIFORM GUIDANCE**

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

To the Board of Directors of
Healthcare Ready

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 Healthcare Ready, which comprise the statement of financial position as of December 31, 2021; the related statements of activities, functional expenses, and cash flows for the year then ended; and the related notes to the financial statements, and have issued our report thereon dated September 29, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Healthcare Ready’s internal control over financial reporting (“internal control”) as a basis for designing 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 Healthcare Ready’s internal control. Accordingly, we do not express an opinion on the effectiveness of Healthcare Ready’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.

Report on Internal Control over Financial Reporting (continued)

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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Healthcare Ready'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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

A handwritten signature in black ink that reads "Rogers + Company PLLC". The signature is written in a cursive, slightly stylized font.

Vienna, Virginia
September 29, 2022

INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors of
Healthcare Ready

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Healthcare Ready’s compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of Healthcare Ready’s major federal programs for the year ended December 31, 2021. Healthcare Ready’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

In our opinion, Healthcare Ready 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, 2021.

Basis for Opinion on Each Major Federal Program

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”). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Healthcare Ready and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Healthcare Ready’s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Healthcare Ready's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Healthcare Ready's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Healthcare Ready's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Healthcare Ready's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Healthcare Ready's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Healthcare Ready's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

A handwritten signature in black ink that reads "Rogers + Company PLLC". The signature is written in a cursive, slightly stylized font.

Vienna, Virginia
September 29, 2022

Healthcare Ready

Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2021

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Assistance Listing Number	Agency or Pass- Through Grant Number	Amount Paid to Subrecipients	Total Federal Expenditures
<u>Department of Health and Human Services</u>				
<i>Direct awards:</i>				
Strengthening the Preparedness and Response Posture of the Health and Public Health Sector through Improved Private Sector Coordination and Information Sharing	93.835	6 HITEP180040-03-01	\$ -	\$ 515,320
Strengthening the Preparedness and Response Posture of the Health and Public Health Sector through Improved Private Sector Coordination and Information Sharing	93.835	6 HITEP180040-04-01	\$ -	\$ 255,993
Total Department of Health and Human Services Award			-	771,313
Total Expenditures of Federal Awards			\$ -	\$ 771,313

See accompanying notes to the schedule of expenditures of federal awards.

Healthcare Ready

Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2021

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (SEFA) includes the federal award activity of Healthcare Ready under the programs of the federal government for the year ended December 31, 2021. The information in the SEFA 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 SEFA presents only a selected portion of the operations of Healthcare Ready, it is not intended to, and does not, present the financial position, changes in net assets, or cash flows of Healthcare Ready.

2. Summary of Significant Accounting Policies

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

3. Indirect Cost Rates

Healthcare Ready records its expenditures of federal awards using the indirect cost and fringe benefit rate per the nonprofit rate agreement with the federal government, which was approved in accordance with the authority of the Uniform Guidance.

In this manner, Healthcare Ready has elected not to use the 10% *de minimis* indirect cost rate as allowed under the Uniform Guidance.

Healthcare Ready

Schedule of Findings and Questioned Costs For the Year Ended December 31, 2021

Section I – Summary of Independent Auditor’s Results

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ Yes X None reported

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over the major program:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ Yes X None reported

Type of auditor’s report issued on compliance for the major program: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)? _____ Yes X No

Identification of the major program:

<u>Assistance Listing Number</u>	<u>Name of Federal Program or Cluster Title</u>
93.835	Strengthening the Preparedness and Response Posture of the Health and Public Health Sector through Improved Private Sector Coordination and Information Sharing

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

Auditee qualified as low-risk auditee? _____ Yes X No

Healthcare Ready

Schedule of Findings and Questioned Costs (continued)
For the Year Ended December 31, 2021

Section II – Findings – Financial Statement Audit

There were no financial statement findings reported during the 2021 audit.

Section III – Findings and Questioned Costs – Major Federal Award Program Audit

There were no findings or questioned costs over major federal awards reported during the 2021 audit.

Healthcare Ready

Corrective Action Plan For the Year Ended December 31, 2021

There were no findings for the year ended December 31, 2021, and therefore, a corrective action plan was not needed.

Healthcare Ready

Schedule of Prior Audit Findings For the Year Ended December 31, 2021

There were no findings or questioned costs reported for the December 31, 2020 audit, and a Single Audit Under the Uniform Guidance was not performed for the year ended December 31, 2020.