



# Greater Seacoast Community Health

FINANCIAL STATEMENTS

and

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

December 31, 2022 and 2021

With Independent Auditor's Report



## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Greater Seacoast Community Health

### Report on the Audit of the Financial Statements

#### ***Opinion***

We have audited the accompanying financial statements of Greater Seacoast Community Health (the Organization), which comprise the balance sheets as of December 31, 2022 and 2021, and the related statements of operations, changes in net assets and cash flows for the years 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 the Organization as of December 31, 2022 and 2021, and the results of its operations, changes in its net assets, and its cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.

#### ***Basis for Opinion***

We conducted our audits 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. 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 the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Change in Accounting Principle***

As discussed in Note 1 to the financial statements, in 2022, the Organization adopted the provisions of Financial Accounting Standards Board Accounting Standards Codification Topic 842, *Leases*. Our opinion is not modified with respect to that matter.

#### ***Responsibilities of Management for the Financial Statements***

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

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 the Organization'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 U.S. generally accepted auditing standards 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 U.S. generally accepted auditing standards 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 the Organization'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 the Organization's ability to continue as a going concern for a reasonable period of time.

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.

### ***Supplementary 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* 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 schedule of expenditures of federal awards 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 May 22, 2023 on our consideration of the Organization'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 the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

*Berry Dunn McNeil & Parker, LLC*

Portland, Maine  
May 22, 2023

# GREATER SEACOAST COMMUNITY HEALTH

## Balance Sheets

December 31, 2022 and 2021

### ASSETS

	<u>2022</u>	<u>2021</u>
Current assets		
Cash and cash equivalents	\$ 7,625,600	\$ 9,428,603
Patient accounts receivable	863,791	946,289
Grant and other receivables	1,119,148	826,005
Pledges receivable	239,644	379,166
Inventory	90,506	84,243
Other current assets	<u>125,808</u>	<u>80,195</u>
Total current assets	10,064,497	11,744,501
Investments	2,015,773	2,248,099
Assets limited as to use	1,226,379	1,513,872
Property and equipment, net	7,616,848	6,763,858
Operating lease right-of-use assets	147,812	-
Finance lease right-of-use asset	<u>4,488,743</u>	<u>-</u>
Total assets	\$ <u>25,560,052</u>	\$ <u>22,270,330</u>

### LIABILITIES AND NET ASSETS

Current liabilities		
Accounts payable and accrued expenses	\$ 499,242	\$ 499,922
Accrued payroll and related expenses	978,636	1,123,883
Patient deposits	174,576	171,291
Deferred revenue	123,901	219,339
Current portion of long-term debt	28,560	27,925
Current portion of operating lease liabilities	77,672	-
Current portion of finance lease liability	<u>332,620</u>	<u>-</u>
Total current liabilities	2,215,207	2,042,360
Long-term debt, less current portion	205,351	233,911
Operating lease liabilities, less current portion	71,151	-
Finance lease liability, less current portion	<u>4,229,137</u>	<u>-</u>
Total liabilities	<u>6,720,846</u>	<u>2,276,271</u>
Net assets		
Without donor restrictions	17,000,149	16,051,868
With donor restrictions	<u>1,839,057</u>	<u>3,942,191</u>
Total net assets	<u>18,839,206</u>	<u>19,994,059</u>
Total liabilities and net assets	\$ <u>25,560,052</u>	\$ <u>22,270,330</u>

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

# GREATER SEACOAST COMMUNITY HEALTH

## Statements of Operations

Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Operating revenue and support		
Net patient service revenue	\$ 11,951,067	\$ 12,147,244
Grants, contracts, and contributions	8,817,627	9,502,562
Provider Relief Fund	-	221,102
Paycheck Protection Program	-	1,479,000
Other operating revenue	570,271	476,334
Net assets released from restriction for operations	<u>253,415</u>	<u>193,959</u>
Total operating revenue and support	<u>21,592,380</u>	<u>24,020,201</u>
Operating expenses		
Salaries and wages	13,700,751	13,671,440
Employee benefits	2,693,634	2,524,515
Contracted services	1,055,318	1,075,563
Program supplies	1,793,207	1,980,697
Information technology	656,842	641,007
Occupancy	973,134	820,794
Other	1,496,242	1,326,186
Depreciation and amortization	699,958	307,683
Interest expense	<u>91,352</u>	<u>6,225</u>
Total operating expenses	<u>23,160,438</u>	<u>22,354,110</u>
Operating (loss) income	<u>(1,568,058)</u>	<u>1,666,091</u>
Other revenue (loss)		
Investment income	63,583	92,870
Change in fair value of investments	<u>(326,453)</u>	<u>134,629</u>
Total other revenue (loss)	<u>(262,870)</u>	<u>227,499</u>
(Deficiency) excess of revenue over expenses	(1,830,928)	1,893,590
Grants received for capital acquisition	949,352	167,837
Net assets released from restriction for capital acquisition	<u>1,829,857</u>	<u>-</u>
Increase in net assets without donor restrictions	<u>\$ 948,281</u>	<u>\$ 2,061,427</u>

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

**GREATER SEACOAST COMMUNITY HEALTH**

**Statements of Changes in Net Assets**

**Years Ended December 31, 2022 and 2021**

	<u><b>2022</b></u>	<u><b>2021</b></u>
Net assets without donor restrictions		
(Deficiency) excess of revenue over expenses	<b>\$ (1,830,928)</b>	<b>\$ 1,893,590</b>
Grants received for capital acquisition	<b>949,352</b>	<b>167,837</b>
Net assets released from restriction for capital acquisition	<u><b>1,829,857</b></u>	<u><b>-</b></u>
Increase in net assets without donor restrictions	<u><b>948,281</b></u>	<u><b>2,061,427</b></u>
Net assets with donor restrictions		
Contributions	<b>208,519</b>	<b>1,127,393</b>
Investment income	<b>32,911</b>	<b>44,850</b>
Change in fair value of investments	<b>(261,292)</b>	<b>153,252</b>
Net assets released from restriction for operations	<b>(253,415)</b>	<b>(193,959)</b>
Net assets released from restriction for capital acquisition	<u><b>(1,829,857)</b></u>	<u><b>-</b></u>
(Decrease) increase in net assets with donor restrictions	<u><b>(2,103,134)</b></u>	<u><b>1,131,536</b></u>
Change in net assets	<b>(1,154,853)</b>	<b>3,192,963</b>
Net assets, beginning of year	<u><b>19,994,059</b></u>	<u><b>16,801,096</b></u>
Net assets, end of year	<u><b>\$ 18,839,206</b></u>	<u><b>\$ 19,994,059</b></u>

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

# GREATER SEACOAST COMMUNITY HEALTH

## Statements of Cash Flows

Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities		
Change in net assets	\$ (1,154,853)	\$ 3,192,963
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities		
Depreciation and amortization	699,958	307,683
Amortization of operating lease right-of-use assets	137,455	-
Change in fair value of investments	587,745	(287,881)
Grants and contributions for long-term purposes	(949,352)	(1,859,630)
Decrease (increase) in		
Patient accounts receivable	82,498	(47,775)
Grant and other receivables	(293,143)	323,766
Pledges receivable	(22,978)	700
Inventory	(6,263)	50,354
Other current assets	(45,613)	76,319
Increase (decrease) in		
Accounts payable and accrued expenses	(93,179)	216,820
Accrued payroll and related expenses	(145,247)	168,426
Patient deposits	3,285	18,365
Deferred revenue	(95,438)	102,889
Provider Relief Funds refundable advance	-	(221,102)
Paycheck Protection Program refundable advance	-	(1,479,000)
Operating lease liabilities	<u>(136,444)</u>	<u>-</u>
Net cash (used) provided by operating activities	<u>(1,431,569)</u>	<u>562,897</u>
Cash flows from investing activities		
Capital acquisitions	(1,168,282)	(1,133,501)
Proceeds from sale of investments	-	78,398
Purchase of investments	<u>(67,926)</u>	<u>(194,159)</u>
Net cash used by investing activities	<u>(1,236,208)</u>	<u>(1,249,262)</u>
Cash flows from financing activities		
Grants and contributions received for long-term purposes	1,111,852	1,904,201
Payments on long-term debt	(27,925)	(27,304)
Payments on finance lease liability	<u>(219,153)</u>	<u>-</u>
Net cash provided by financing activities	<u>864,774</u>	<u>1,876,897</u>
Net (decrease) increase in cash and cash equivalents	(1,803,003)	1,190,532
Cash and cash equivalents, beginning of year	<u>9,428,603</u>	<u>8,238,071</u>
Cash and cash equivalents, end of year	<u>\$ 7,625,600</u>	<u>\$ 9,428,603</u>
Supplemental disclosures of cash flow information		
Cash paid for interest	\$ 91,352	\$ 6,225
Right of use asset obtained in exchange for finance lease liability	4,780,910	-
Property and equipment included in accounts payable	92,499	-

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



# GREATER SEACOAST COMMUNITY HEALTH

## Notes to Financial Statements

December 31, 2022 and 2021

### **Organization**

Greater Seacoast Community Health (the Organization) is a not-for-profit corporation organized in New Hampshire. The Organization is a Federally Qualified Health Center (FQHC), providing fully integrated medical, behavioral, oral health, recovery services and social support for underserved populations. The Organization is a network of community health centers, which includes Families First Health & Support Center and Goodwin Community Health, providing healthcare services to individuals living within the greater seacoast area.

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

#### **Basis of Presentation**

The financial statements of the Organization have been prepared in accordance with U.S. generally accepted accounting principles (U.S. GAAP), which requires the Organization to report information in the financial statements according to the following net asset classifications:

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

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

#### **Use of Estimates**

The preparation of financial statements in conformity with U.S. GAAP requires 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.

#### **Income Taxes**

The Organization is a public charity under Section 501(c)(3) of the Internal Revenue Code (IRC). 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.

# **GREATER SEACOAST COMMUNITY HEALTH**

## **Notes to Financial Statements**

**December 31, 2022 and 2021**

### **COVID-19**

In March 2020, the World Health Organization declared coronavirus disease (COVID-19) a global pandemic and the United States federal government declared COVID-19 a national emergency. The Organization implemented an emergency response to ensure the safety of its patients, staff and the community. In adhering to guidelines issued by the Centers for Disease Control and Prevention, the Organization took steps to create safe distances between both staff and patients. All providers received the necessary equipment to allow for medical and behavioral health visits using telehealth.

The Organization received distributions totaling \$221,102 from the Provider Relief Fund (PRF), a fund established to support healthcare providers in responding to the COVID-19 outbreak, in 2020. The Organization identified qualifying expenditures of during the year ended December 31, 2021 and recognized the PRF as revenue.

The Organization qualified for and received a loan in the amount of \$1,479,000 from the Paycheck Protection Program (PPP), a program implemented by the U.S. Small Business Administration (SBA). The principal amount of the PPP was subject to forgiveness, upon the Organization's request, to the extent that the proceeds are used to pay qualifying expenditures, including payroll costs, rent and utilities, incurred by the Organization during a specific covered period. The PPP was fully forgiven by the SBA and the lender on September 17, 2021.

The various COVID-19 programs are complex and subject to interpretation. The programs may be subject to future investigation by governmental agencies. The Paycheck Protection Program Loan can be audited by the Small Business Association for up to six years from the date of forgiveness. Any difference between amounts previously recognized and amounts subsequently determined to be recoverable or payable are adjusted in future periods as adjustments become known.

### **Cash and Cash Equivalents**

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

The Organization has cash deposits in major financial institutions which exceed federal depository insurance limits. The Organization has not experienced losses in such accounts and management believes the credit risk related to these deposits is minimal.

### **Revenue Recognition and Patient Accounts Receivable**

Net patient service revenue is reported at the amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing patient care. These amounts are due from patients and third-party payers (including commercial insurers and governmental programs). Generally, the Organization bills the patients and third-party payers several days after the services are performed. Revenue is recognized as performance obligations are satisfied.

## **GREATER SEACOAST COMMUNITY HEALTH**

### **Notes to Financial Statements**

**December 31, 2022 and 2021**

Performance obligations are determined based on the nature of the services provided by the Organization. The majority of the Organization's performance obligations are satisfied at a point in time.

The Organization measures the performance obligations as follows:

- Medical, behavioral health, dental and ancillary services are measured from the commencement of an in-person or virtual encounter with a patient to the completion of the encounter. Ancillary services provided the same day are considered to be part of the performance obligation and are not deemed to be separate performance obligations.
- Contract 340B pharmacy program services are measured when the prescription is dispensed to the patient as reported by the pharmacy administrator.
- In-house pharmacy services are measured when the prescription is dispensed to the patient at one of the Organization's in-house pharmacy.

The Organization determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payers, discounts provided to uninsured patients in accordance with the Organization's sliding fee discount program, and implicit price concessions provided to uninsured patients. The Organization determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policies, and historical experience. The Organization determines its estimate of implicit price concessions based on its historical collection experience.

Consistent with the Organization's mission and FQHC designation, care is provided to patients regardless of their ability to pay. Therefore, the Organization has determined it has provided implicit price concessions to uninsured patients and patients with other uninsured balances (for example, copays and deductibles). The implicit price concessions included in estimating the transaction price represent the difference between amounts billed to patients and amounts the Organization expects to collect based on its collection history with those patients.

The Organization has determined that the nature, amount, timing and uncertainty of revenue and cash flows are affected by the payer. In assessing collectability, the Organization has elected the portfolio approach. The portfolio approach is being used as the Organization has a large volume of similar contracts with similar classes of customers (patients). The Organization reasonably expects that the effect of applying a portfolio approach to a group of contracts would not differ materially from considering each contract separately. Management's judgment to group the contracts by portfolio is based on the payment behavior expected in each portfolio category. As a result, aggregating all the contracts (which are at the patient level) by the particular payer or group of payers will result in the recognition of the same amount of revenue as applying the analysis at the individual patient level. Payer concentrations are disclosed in Note 10.

# **GREATER SEACOAST COMMUNITY HEALTH**

## **Notes to Financial Statements**

**December 31, 2022 and 2021**

The Organization bills the patients and third-party payers several days after the services are performed. A summary of payment arrangements follows:

### Medicare

The Organization is primarily reimbursed for medical, behavioral health and ancillary services provided to patients based on the lesser of actual charges or prospectively set rates for all FQHC services furnished to a Medicare beneficiary on the same day when an FQHC furnishes a face-to-face or virtual visit. Certain other services provided to patients are reimbursed based on predetermined payment rates for each Current Procedural Terminology (CPT) code, which may be less than the Organization's public fee schedule.

### Medicaid

The Organization is primarily reimbursed for medical, behavioral health and ancillary services provided to patients based on prospectively set rates for all FQHC services furnished to a Medicaid beneficiary on the same day when an FQHC furnishes a face-to-face or virtual visit. Certain other services, including dental services, provided to patients are reimbursed based on predetermined payment rates for each CPT code, which may be less than the Organization's public fee schedule.

### Other Payers

The Organization has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. Under these arrangements, the Organization is reimbursed for services based on contractually obligated payment rates for each CPT code, which may be less than the Organization's public fee schedule.

### Patients

The Organization provides care to patients who meet certain criteria under its sliding fee discount program. The Organization estimates the costs associated with providing this 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 the sliding fee discount program. The estimated cost of providing services to patients under the Organization's sliding fee discount program was approximately \$688,027 and \$1,066,556 for the years ended December 31, 2022 and 2021, respectively. The Organization is able to provide these services with a component of funds received through federal and state grants and local support.

For uninsured patients who do not qualify under the Organization's sliding fee discount program, the Organization bills the patient based on the Organization's standard rates for services provided. Patient balances are typically due within 30 days of billing; however, the Organization does, in certain instances, enter into payment agreements with patients that allow payments in excess of one year. For those cases, the financing component is not deemed to be significant to the contract.

# GREATER SEACOAST COMMUNITY HEALTH

## Notes to Financial Statements

December 31, 2022 and 2021

### 340B Pharmacy Program Revenue

The Organization, as an FQHC, is eligible to participate in the 340B Drug Pricing Program. This program requires drug manufacturers to provide outpatient drugs to FQHCs and other covered entities at a reduced price. The Organization operates an in-house pharmacy and contracts with other local pharmacies under this program. The contract pharmacies dispense drugs to eligible patients of the Organization and bill Medicare and commercial insurances on behalf of the Organization. Reimbursement received by the contract pharmacies is remitted to the Organization, less dispensing and administrative fees. The Organization recognizes revenue in the amounts that reflect the consideration to which it expects to be entitled in exchange for the prescription.

Laws and regulations governing the Medicare, Medicaid and 340B programs are complex and subject to interpretation. Management believes that the Organization 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, Medicaid and 340B 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.

### Patient Accounts Receivable

Patient accounts receivable are stated at the amount management expects to collect from outstanding balances and consisted of the following:

	January 1, <u>2021</u>	December 31, <u>2021</u>	December 31, <u>2022</u>
Patient accounts receivable	\$ 541,407	\$ 673,736	\$ <b>757,642</b>
In-house pharmacy receivables	193,804	76,347	<b>61,671</b>
Contract 340B pharmacy receivables	<u>163,303</u>	<u>196,206</u>	<u><b>44,478</b></u>
Total patient accounts receivable	\$ <u>898,514</u>	\$ <u>946,289</u>	\$ <u><b>863,791</b></u>

The Organization grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payer agreements. The accounts receivable from patients and third-party payers, net of contractual allowances, were as follows:

	<u>2022</u>	<u>2021</u>
Governmental plans		
Medicare	15 %	8 %
Medicaid	34 %	34 %
Commercial payers	35 %	36 %
Patient	<u>16 %</u>	<u>22 %</u>
Total	<u><b>100 %</b></u>	<u><b>100 %</b></u>

# GREATER SEACOAST COMMUNITY HEALTH

## Notes to Financial Statements

December 31, 2022 and 2021

### **Grant and Other Receivables, and Deferred Revenue**

Grant and other receivables are stated at the amount management expects to collect from outstanding balances. All such amounts are considered collectible.

The Organization receives a significant amount of grants from the U.S. Department of Health and Human Services (HHS). For the years ended December 31, 2022 and 2021, grants from HHS (including both direct awards and awards passed through other organizations) represented approximately 73% and 67%, respectively, of the total of grants, contracts, and contributions and Provider Relief Fund.

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

The Organization has been awarded cost reimbursable grants from HHS that have not been recognized at December 31, 2022 because qualifying expenditures have not yet been incurred as follows:

	<u>Amount</u>	<u>Available Through</u>
Health Center Program	\$ 1,325,295	April 30, 2023
Integrated Behavioral Health Services	22,363	April 30, 2023
FY 2023 Expanding COVID-19 Vaccination Awards	178,672	December 31, 2023
American Rescue Plan Act Funding for Health Centers	<u>1,694,270</u>	March 31, 2024
Total HHS grant funds available	<u>\$ 3,220,600</u>	

### **Inventory**

Inventory consists primarily of pharmaceuticals and is stated at the lower of cost or retail. Cost is determined on the first-in, first-out method.

### **Investments and Assets Limited as to Use**

Assets limited as to use include investments held for others and donor-restricted contributions to be held in perpetuity and earnings thereon, subject to the Organization's spending policy as further discussed in Note 9.

The Organization reports investments at fair value. Investments include donor endowment funds and assets held for long-term purposes. Accordingly, investments have been classified as non-current assets in the accompanying balance sheets regardless of maturity or liquidity. The Organization has established policies governing long-term investments, which are held within several investment accounts, based on the purposes for those investment accounts and their earnings.

# GREATER SEACOAST COMMUNITY HEALTH

## Notes to Financial Statements

December 31, 2022 and 2021

Investment income and the change in fair value are included in the (deficiency) 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 sheets.

### **Property and Equipment**

Property and equipment are carried at cost less accumulated depreciation. Maintenance, repairs and minor renewals are expensed as incurred and renewals and betterments are capitalized. Provision for depreciation is computed using the straight-line method over the useful lives of the related assets. Property and equipment costing less than \$5,000 is charged to expense upon purchase.

### **Right-of-Use Assets and Lease Liabilities**

Effective January 1, 2022, the Organization adopted Financial Accounting Standards Board Accounting Standards Codification (ASC) Topic 842, *Leases* (Topic 842). The Organization determines if an arrangement is a lease or contains a lease at inception of a contract. A contract is determined to be or contain a lease if the contract conveys the right to control the use of identified property, plant, or equipment (an identified asset) in exchange for consideration. The Organization determines these assets are leased because the Organization has the right to obtain substantially all of the economic benefit from and the right to direct the use of the identified asset. Assets in which the supplier or lessor has the practical ability and right to substitute alternative assets for the identified asset and would benefit economically from the exercise of its right to substitute the asset are not considered to be or contain a lease because the Organization determines it does not have the right to control and direct the use of the identified asset. The Organization's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

In evaluating its contracts, the Organization separately identifies lease and non-lease components, such as maintenance costs, in calculating the right-of-use (ROU) assets and lease liabilities for its facility and equipment leases. The Organization has elected the practical expedient to not separate lease and non-lease components and classifies the contract as a lease if consideration in the contract allocated to the lease component is greater than the consideration allocated to the non-lease agreement.

Leases result in the recognition of ROU assets and lease liabilities on the balance sheet. ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease, measured on a discounted basis. The Organization determines lease classification as operating or finance at the lease commencement date.

# GREATER SEACOAST COMMUNITY HEALTH

## Notes to Financial Statements

December 31, 2022 and 2021

At lease inception, the lease liability is measured at the present value of the lease payments over the lease term. The ROU asset equals the lease liability adjusted for any initial direct costs, prepaid or deferred rent, and lease incentives. Topic 842 requires the use of the implicit rate in the lease when readily determinable. As the leases do not provide an implicit rate, the Organization elected the practical expedient to use the risk-free rate when the rate of the lease is not implicit in the lease agreement.

The lease term may include options to extend or to terminate the lease that the Organization is reasonably certain to exercise. Lease expense for operating and finance leases is recognized on a straight-line basis over the lease term.

The Organization has elected not to record leases with an initial term of 12 months or less on the balance sheet. Lease expense on such leases is recognized on a straight-line basis over the lease term.

Upon adoption of Topic 842, the Organization elected the package of practical expedients permitted under the transition guidance within the new standard which includes the following: relief from determination of lease contracts included in existing or expiring leases at the point of adoption, relief from having to reevaluate the classification of leases in effect at the point of adoption, and relief from reevaluation of existing leases that have initial direct costs associated with the execution of the lease contract.

The adoption of Topic 842 resulted in the recognition of the following assets and liabilities on January 1, 2022:

Operating lease right-of-use assets	\$ <u>283,253</u>
Current portion of operating lease liabilities	\$ 137,455
Operating lease liabilities, less current portion	<u>145,798</u>
Operating lease liabilities	\$ <u>283,253</u>

Results for the period prior to January 1, 2022 continue to be reported in accordance with the Organization's historical accounting treatment for leases.

### **Patient Deposits**

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



# GREATER SEACOAST COMMUNITY HEALTH

## Notes to Financial Statements

December 31, 2022 and 2021

### **Contributions**

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received, which is then treated as cost. The gifts are reported as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the statements of operations as net assets released from restriction. Pledges receivable are due in 2023.

The Organization reports gifts of property and equipment as support without donor restrictions 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 support with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

### **(Deficiency) Excess of Revenue Over Expenses**

The statements of operations reflect the (deficiency) excess of revenue over expenses. Changes in net assets without donor restrictions which are excluded from the (deficiency) excess of revenue over expenses include contributions of long-lived assets (including assets acquired using grants and contributions which, by donor restriction, were to be used for the purposes of acquiring such assets) and net assets released from restriction for capital acquisition.

### **Subsequent Events**

For purposes of the preparation of these financial statements, management has considered transactions or events occurring through May 22, 2023, which is the date the financial statements were available to be issued. Management has not evaluated subsequent events after that date for inclusion in the financial statements.

## **2. Availability and Liquidity of Financial Assets**

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments. The Organization has various sources of liquidity at its disposal, including cash and cash equivalents and investments.

# GREATER SEACOAST COMMUNITY HEALTH

## Notes to Financial Statements

December 31, 2022 and 2021

Financial assets and liquidity resources available within one year for general expenditure, such as operating expenses, were as follows at December 31:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 7,625,600	\$ 9,428,603
Investments	2,015,773	2,248,099
Patient accounts receivable	863,791	946,289
Grant and other receivables	1,119,148	826,005
Less donor restricted assets	<u>(235,858)</u>	<u>(451,518)</u>
Financial assets available for current use	<u>\$11,388,454</u>	<u>\$12,997,478</u>

### 3. Pledges Receivable

Pledges receivable consisted of the following at December 31:

	<u>2022</u>	<u>2021</u>
Capital projects that are in service	\$ 215,666	\$ -
Donor restricted		
Capital projects	-	375,666
Program services	<u>23,978</u>	<u>3,500</u>
Total donor restricted	<u>23,978</u>	<u>379,166</u>
Total	<u>\$ 239,644</u>	<u>\$ 379,166</u>

### 4. Investments and Assets Limited as to Use

Investments, stated at fair value, consisted of the following at December 31:

	<u>2022</u>	<u>2021</u>
Long-term investments	\$ 2,015,773	\$ 2,248,099
Assets limited as to use	<u>1,226,379</u>	<u>1,513,872</u>
Total investments	<u>\$ 3,242,152</u>	<u>\$ 3,761,971</u>

Assets limited as to use are restricted for the following purposes at December 31:

	<u>2022</u>	<u>2021</u>
Assets held in trust under Section 457(b) deferred compensation plans	\$ 59,631	\$ 57,391
Assets with donor restrictions	<u>1,166,748</u>	<u>1,456,481</u>
Total	<u>\$ 1,226,379</u>	<u>\$ 1,513,872</u>

# GREATER SEACOAST COMMUNITY HEALTH

## Notes to Financial Statements

December 31, 2022 and 2021

### Fair Value of Financial Instruments

U.S. GAAP 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.

U.S. GAAP 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 at December 31:

	<u>2022</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and cash equivalents	\$ 45,255	\$ -	\$ -	\$ 45,255
Municipal bonds	-	139,194	-	139,194
Exchange traded funds	1,360,349	-	-	1,360,349
Mutual funds	<u>1,697,354</u>	<u>-</u>	<u>-</u>	<u>1,697,354</u>
Total investments	<u>\$ 3,102,958</u>	<u>\$ 139,194</u>	<u>\$ -</u>	<u>\$ 3,242,152</u>
	<u>2021</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and cash equivalents	\$ 125,737	\$ -	\$ -	\$ 125,737
Municipal bonds	-	158,269	-	158,269
Exchange traded funds	1,359,909	-	-	1,359,909
Mutual funds	<u>2,118,056</u>	<u>-</u>	<u>-</u>	<u>2,118,056</u>
Total investments	<u>\$ 3,603,702</u>	<u>\$ 158,269</u>	<u>\$ -</u>	<u>\$ 3,761,971</u>

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

# GREATER SEACOAST COMMUNITY HEALTH

## Notes to Financial Statements

December 31, 2022 and 2021

### 5. Property and Equipment

Property and equipment consisted of the following:

	<u>2022</u>	<u>2021</u>
Land	\$ 718,427	\$ 718,427
Building and improvements	6,499,881	5,949,854
Leasehold improvements	1,589,382	179,963
Furniture, fixtures, and equipment	<u>2,954,785</u>	<u>2,864,516</u>
Total cost	11,762,475	9,712,760
Less accumulated depreciation	<u>4,155,627</u>	<u>4,100,983</u>
	7,606,848	5,611,777
Projects in progress	<u>10,000</u>	<u>1,152,081</u>
Property and equipment, net	<u>\$ 7,616,848</u>	<u>\$ 6,763,858</u>

Property and equipment acquired with Federal grant funds are subject to specific federal standards for sales and other dispositions. In many cases, the Federal government retains a residual ownership interest in the assets, requiring prior approval and restrictions on disposition.

Depreciation expense amounts to \$407,791 and \$307,683 for the years ended December 31, 2022 and 2021, respectively.

### 6. Long-Term Debt

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

	<u>2022</u>	<u>2021</u>
2.25% promissory note payable to New Hampshire Health and Education Facilities Authority through July 2030, paid in monthly installments of \$2,794, including interest. Note is uncollateralized.	\$ 233,911	\$ 261,836
Less current portion	<u>28,560</u>	<u>27,925</u>
Long-term debt, less current portion	<u>\$ 205,351</u>	<u>\$ 233,911</u>

Maturities of long-term debt for the next five years are as follows at December 31:

2023	\$ 28,560
2024	29,209
2025	29,873
2026	30,552
2027	31,247
Thereafter	<u>84,470</u>
Total	<u>\$ 233,911</u>

# GREATER SEACOAST COMMUNITY HEALTH

## Notes to Financial Statements

December 31, 2022 and 2021

### 7. Leases

The Organization has entered the following lease arrangements:

#### Finance Lease

During 2022, the Organization entered into a facility lease through 2037. The lease contains an annual escalating clause of 3 percent beginning in 2027. Termination of the lease generally is prohibited unless there is a violation under the lease agreement.

#### Operating Leases

The Organization has four facility leases that expire from 2024 through 2025. These leases generally contain renewal options and annual escalating clauses of 3 percent. Termination of the leases is generally prohibited unless there is a violation under the lease agreements.

#### Lease Cost

Lease cost for the year ended December 31, 2022 is as follows:

Finance lease	
Amortization of right-of-use asset	\$ 292,167
Interest on lease liability	85,748
Operating leases	137,455
Short-term lease expense	<u>56,228</u>
Total	<u>\$ 571,598</u>

#### Other Information

Weighted-average remaining lease term:	
Finance lease	14 years
Operating leases	2 years
Weighted-average discount rate:	
Finance lease	2.01%
Operating leases	1.04%

# GREATER SEACOAST COMMUNITY HEALTH

## Notes to Financial Statements

**December 31, 2022 and 2021**

### Future Minimum Lease Payments and Reconciliation to the Balance Sheet

Future minimum payments due under the facility and equipment lease agreements for the years ending December 31, are as follows:

	<u>Finance Lease</u>	<u>Operating Leases</u>
2023	\$ 332,620	\$ 77,672
2024	332,620	58,984
2025	332,620	13,696
2026	332,620	-
2027	341,767	-
Thereafter	<u>3,602,655</u>	<u>-</u>
Total future undiscounted lease payments	5,274,902	150,352
Less present value discount	<u>713,145</u>	<u>1,529</u>
Total lease liabilities	4,561,757	148,823
Current portion of lease liabilities	<u>332,620</u>	<u>77,672</u>
Lease liabilities, net of current portion	<u>\$ 4,229,137</u>	<u>\$ 71,151</u>

### **8. Net Assets with Donor Restrictions**

Net assets with donor restrictions are available for the following purposes at December 31:

	<u>2022</u>	<u>2021</u>
Specific purpose (temporary in nature)		
Program services	\$ 235,858	\$ 451,518
Construction of new facility	412,473	1,655,026
Pledges receivable for construction of new facility	-	375,666
Passage of time (temporary in nature)		
Pledges receivable	23,978	3,500
Earnings from endowment investments	297,070	586,803
Held in perpetuity (permanent in nature)		
Endowment	<u>869,678</u>	<u>869,678</u>
Total	<u>\$ 1,839,057</u>	<u>\$ 3,942,191</u>

# GREATER SEACOAST COMMUNITY HEALTH

## Notes to Financial Statements

December 31, 2022 and 2021

Net assets released from net assets with donor restrictions were as follows at December 31:

	<u>2022</u>	<u>2021</u>
Satisfaction of purpose - program services	\$ 144,063	\$ 39,143
Satisfaction of purpose - purchase of capital assets	1,829,857	-
Passage of time - pledges receivable	48,000	96,950
Passage of time - endowment earnings	<u>61,352</u>	<u>57,866</u>
Total	\$ <u>2,083,272</u>	\$ <u>193,959</u>

### 9. Endowment

#### Interpretation of Relevant Law

The Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as a donor-restricted endowment (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent donor-restricted endowment gifts, and (c) accumulations to the donor-restricted endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund, if any, is classified as net assets with donor restrictions until those amounts are appropriated for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund;
- (2) The purposes of the Organization and the donor-restricted endowment fund;
- (3) General economic conditions;
- (4) The possible effect of inflation and deflation;
- (5) The expected total return from income and the appreciation of investments;
- (6) Other resources of the Organization; and
- (7) The investment policies of the Organization.

#### Spending Policy

The Organization has a policy of appropriating for expenditure an amount equal to 5% of the endowment fund's average fair market value over the prior 20 quarters. The earnings on the endowment fund are to be used for operations.

# GREATER SEACOAST COMMUNITY HEALTH

## Notes to Financial Statements

December 31, 2022 and 2021

### **Funds with Deficiencies**

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Organization to retain as a fund of perpetual duration (underwater). In the event the endowment becomes underwater, it is the Organization's policy to not appropriate expenditures from the endowment assets until the endowment is no longer underwater. There were no such deficiencies as of December 31, 2022 and 2021.

### **Return Objectives and Risk Parameters**

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed or meet designated benchmarks while incurring a reasonable and prudent level of investment risk.

### **Strategies Employed for Achieving Objectives**

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a balanced emphasis on equity-based and income-based investments to achieve its long-term return objectives within prudent risk constraints.

### **Endowment Net Asset Composition by Type of Fund**

The Organization's endowment consists of assets with donor restrictions only and had the following related activities at December 31:

	<u>2022</u>	<u>2021</u>
Endowments, beginning of year	\$ 1,456,481	\$ 1,316,245
Investment income	32,911	44,850
Change in fair value of investments	(261,292)	153,252
Spending policy appropriations	<u>(61,352)</u>	<u>(57,866)</u>
Endowments, end of year	\$ <u>1,166,748</u>	\$ <u>1,456,481</u>



# GREATER SEACOAST COMMUNITY HEALTH

## Notes to Financial Statements

December 31, 2022 and 2021

### 10. Net Patient Service Revenue

Net patient service revenue by payer and program is as follows:

	<u>2022</u>		
	<u>Medical, Behavioral Health and Dental Services</u>	<u>Pharmacy Services</u>	<u>Total</u>
Governmental payers			
Medicare	\$ 775,698	\$ -	\$ 775,698
Medicaid	5,287,937	329,783	5,617,720
Commercial payers	2,947,918	872,636	3,820,554
Patient	<u>217,213</u>	<u>149,542</u>	<u>366,755</u>
Net direct patient service revenue	9,228,766	1,351,961	10,580,727
340B contract pharmacy revenue	<u>-</u>	<u>1,370,340</u>	<u>1,370,340</u>
Net patient service revenue	<u>\$ 9,228,766</u>	<u>\$ 2,722,301</u>	<u>\$ 11,951,067</u>

	<u>2021</u>		
	<u>Medical, Behavioral Health and Dental Services</u>	<u>Pharmacy Services</u>	<u>Total</u>
Governmental payers			
Medicare	\$ 762,586	\$ -	\$ 762,586
Medicaid	5,226,275	277,925	5,504,200
Commercial payers	2,842,725	929,547	3,772,272
Patient	<u>288,321</u>	<u>136,482</u>	<u>424,803</u>
Net direct patient service revenue	9,119,907	1,343,954	10,463,861
340B contract pharmacy revenue	<u>-</u>	<u>1,683,383</u>	<u>1,683,383</u>
Net patient service revenue	<u>\$ 9,119,907</u>	<u>\$ 3,027,337</u>	<u>\$ 12,147,244</u>

### 11. Functional Expenses

The Organization provides various services to residents within its geographic location. Given the Organization is a service organization, expenses are allocated between healthcare, administrative and support and fundraising services based on the percentage of direct care wages to total wages, with the exception of program supplies which are 100% healthcare in nature.

# GREATER SEACOAST COMMUNITY HEALTH

## Notes to Financial Statements

**December 31, 2022 and 2021**

Expenses related to providing these services are as follows:

	<u>2022</u>			
	<u>Healthcare Services</u>	<u>Administrative and Support Services</u>	<u>Fundraising Services</u>	<u>Total</u>
Salaries and wages	\$ 11,752,215	\$ 1,476,954	\$ 471,582	\$ 13,700,751
Employee benefits	2,290,698	313,166	89,770	2,693,634
Contracted services	833,825	204,594	16,899	1,055,318
Program supplies	1,793,207	-	-	1,793,207
Information technology	558,586	76,366	21,890	656,842
Occupancy	827,565	113,138	32,431	973,134
Other	1,272,422	173,955	49,865	1,496,242
Depreciation and amortization	595,253	81,378	23,327	699,958
Interest expense	<u>77,687</u>	<u>10,621</u>	<u>3,044</u>	<u>91,352</u>
Total	<u>\$ 20,001,458</u>	<u>\$ 2,450,172</u>	<u>\$ 708,808</u>	<u>\$ 23,160,438</u>

	<u>2021</u>			
	<u>Healthcare Services</u>	<u>Administrative and Support Services</u>	<u>Fundraising Services</u>	<u>Total</u>
Salaries and wages	\$ 11,626,356	\$ 1,589,462	\$ 455,622	\$ 13,671,440
Employee benefits	2,146,878	293,504	84,133	2,524,515
Contract services	901,023	165,775	8,765	1,075,563
Program supplies	1,980,697	-	-	1,980,697
Information technology	545,120	74,524	21,363	641,007
Occupancy	698,013	95,427	27,354	820,794
Other	1,127,805	154,183	44,198	1,326,186
Depreciation and amortization	261,657	35,772	10,254	307,683
Interest expense	<u>5,294</u>	<u>724</u>	<u>207</u>	<u>6,225</u>
Total	<u>\$ 19,292,843</u>	<u>\$ 2,409,371</u>	<u>\$ 651,896</u>	<u>\$ 22,354,110</u>

### 12. Retirement Plans

The Organization has a defined contribution plan under IRC Section 401(k) that covers substantially all employees. For the years ended December 31, 2022 and 2021, the Organization contributed \$260,713 and \$222,748, respectively, to the plan.

The Organization has established an unqualified deferred compensation plan under IRC Section 457(b) for certain key employees of the Organization. The Organization did not contribute to the plan during the year ended December 31, 2022. The balance of the deferred compensation plan amounted to \$59,631 and \$57,391 at December 31, 2022 and 2021, respectively.

# GREATER SEACOAST COMMUNITY HEALTH

## Notes to Financial Statements

December 31, 2022 and 2021

### 13. Medical 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 December 31, 2022, there were no known malpractice claims outstanding which, in the opinion of management, will be settled for amounts in excess of both FTCA and additional medical malpractice 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.

### 14. 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 \$1,310,202 and \$1,323,285 for the years ended December 31, 2022 and 2021, respectively. 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.

## **SUPPLEMENTARY INFORMATION**

**GREATER SEACOAST COMMUNITY HEALTH**

**Schedule of Expenditures of Federal Awards**

**Year Ended December 31, 2022**

<b>Federal Grant/Pass-Through Grantor/Program Title</b>	<b>Assistance Listing Number</b>	<b>Pass-Through Contract Number</b>	<b>Total Federal Expenditures</b>
<b><u>U.S. Department of Health and Human Services</u></b>			
<b><u>Direct</u></b>			
<i>Health Center Program Cluster</i>			
Consolidated Health Centers (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care)	93.224		\$ 990,119
COVID-19 Consolidated Health Centers (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care)	93.224		<u>1,218,108</u>
Total AL 93.224			2,208,227
Affordable Care Act (ACA) Grants for New and Expanded Services Under the Health Center Program	93.527		<u>3,016,159</u>
Total Health Center Program Cluster			5,224,386
Affordable Care Act (ACA) Grants for Capital Development in Health Centers	93.526		636,073
<b><u>Pass-Through</u></b>			
<i>State of New Hampshire Department of Health and Human Services</i>			
Public Health Emergency Preparedness	93.069	074-500589/90077028	34,042
Public Health Emergency Preparedness	93.069	102-500731/90077410	<u>27,942</u>
Total AL 93.069			61,984
Immunization Cooperative Agreements	93.268	102-500731/90023205	408
Immunization Cooperative Agreements	93.268	102-500731/90023800	28,910
Immunization Cooperative Agreements	93.268	102-500731/90023010	<u>9,119</u>
Total AL 93.268			38,437
COVID-19 Activities to Support State, Tribal, Local and Territorial (STLT) Health Department Response to Public Health or Healthcare Crises	93.391	102-500731/90577140	26,672
COVID-19 Activities to Support State, Tribal, Local and Territorial (STLT) Health Department Response to Public Health or Healthcare Crises	93.391	102-500731/90577150	13,491
<i>Bi-State Primary Care Association, Inc.</i>			
COVID-19 Activities to Support State, Tribal, Local and Territorial (STLT) Health Department Response to Public Health or Healthcare Crises	93.391	n/a	<u>30,804</u>
Total AL 93.391			70,967
<i>State of New Hampshire Department of Health and Human Services</i>			
Promoting Safe and Stable Families	93.556	102-500734/42107306	16,351
Temporary Assistance for Needy Families	93.558	502-500891/45030206	135,002
Stephanie Tubbs Jones Child Welfare Services Program	93.645	102-500734/42106802	3,323
Social Services Block Grant	93.667	102-500734/42106603	56,354
National Bioterrorism Hospital Preparedness Program	93.889	074-500589/90077700	8,643

The accompanying notes are an integral part of this schedule.

**GREATER SEACOAST COMMUNITY HEALTH**

**Schedule of Expenditures of Federal Awards (Concluded)**

**Year Ended December 31, 2022**

<b>Federal Grant/Pass-Through Grantor/Program Title</b>	<b>Assistance Listing Number</b>	<b>Pass-Through Contract Number</b>	<b>Total Federal Expenditures</b>
Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations	93.898	102-500731/90080081	11,874
Block Grants for Prevention and Treatment of Substance Abuse	93.959	074-500585/92057502	45,339
Block Grants for Prevention and Treatment of Substance Abuse	93.959	074-500585/92057504	14,554
Block Grants for Prevention and Treatment of Substance Abuse	93.959	074-500589/92057506	56,003
Block Grants for Prevention and Treatment of Substance Abuse	93.959	074-500585/92058506	20,030
Block Grants for Prevention and Treatment of Substance Abuse	93.959	074-500585/90001022	13,522
Block Grants for Prevention and Treatment of Substance Abuse	93.959	010-092-33800000- 500589/92057502	6,009
Total AL 93.959			155,457
Preventive Health and Health Services Block Grant	93.991	074-500585/92057502	13,940
Maternal and Child Health Services Block Grant to the States	93.994	102-500731/90080112	54,154
Maternal and Child Health Services Block Grant to the States	93.994	102-500731/90004009	6,307
Total AL 93.994			60,461
Total U.S. Department of Health and Human Services			6,493,252
<u>U. S. Department of Agriculture</u>			
<u>Pass-Through</u>			
<i>State of New Hampshire Department of Health and Human Services</i>			
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	102-500734	435,534
<u>U.S. Department of Housing and Urban Development</u>			
<u>Pass-Through</u>			
<i>City of Portsmouth New Hampshire</i>			
Community Development Block Grants/Entitlement Grants	14.218	n/a	5,250
<u>U.S. Department of Treasury:</u>			
<u>Pass-Through</u>			
<i>Bi-State Primary Care Association, Inc.</i>			
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	n/a	42,682
<u>U.S. Department of Homeland Security</u>			
<u>Pass-Through</u>			
<i>State of New Hampshire Department of Health and Human Services</i>			
COVID-19 Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	103-502507/95010690	52,226
Total, All Programs			\$ 7,028,944

The accompanying notes are an integral part of this schedule.

# GREATER SEACOAST COMMUNITY HEALTH

## Notes to Schedule of Expenditures of Federal Awards

Year Ended December 31, 2022

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

Expenditures reported on the schedule of expenditures of federal awards (the Schedule) are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), wherein certain types of expenditures are not allowable or are limited as to reimbursement.

### 2. **De Minimis Indirect Cost Rate**

Greater Seacoast Community Health (the Organization) has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

### 3. **Basis of Presentation**

The Schedule includes the federal grant activity of the Organization. The information in this Schedule is presented in accordance with the requirements of the 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.

**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  
Greater Seacoast 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 Greater Seacoast Community Health (the Organization), which comprise the balance sheet as of December 31, 2022, and the related statements of operations, 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 May 22, 2023.

**Report on 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) 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 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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



## **Report on Compliance and Other Matters**

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

*Berry Dunn McNeil & Parker, LLC*

Portland, Maine  
May 22, 2023

**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  
Greater Seacoast Community Health

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

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

We have audited Greater Seacoast Community Health's (the Organization) compliance with the types of compliance requirements identified as subject to audit in the Office of Management and Budget *Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended December 31, 2022. 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.

In our opinion, the Organization complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2022.

***Basis for Opinion on the Major Federal Program***

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). 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 the Organization 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 the major federal program. Our audit does not provide a legal determination of the Organization'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 the Organization'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 the Organization'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 U.S. 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 the Organization's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with U.S. 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 the Organization'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 the Organization'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 the Organization'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.

*Berry Dunn McNeil & Parker, LLC*

Portland, Maine  
May 22, 2023

**GREATER SEACOAST COMMUNITY HEALTH**

**Schedule of Findings and Questioned Costs**

**Year Ended December 31, 2022**

**Section 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:

Assistance Listing Number      Name of Federal Program or Cluster

Health Center Program Cluster

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

Auditee qualified as low-risk auditee? ☒ Yes ☐ No

**Section 2. Financial Statement Findings**

None

**Section 3. Federal Award Findings and Questioned Costs**

None

## GREATER SEACOAST COMMUNITY HEALTH

### Summary Schedule of Prior Year Findings

Year Ended December 31, 2022

**Finding Number: 2021-001**

Criteria: In accordance with Section 330(k)(3)(G) of the PHS Act (42 U.S. Code § 254b), as an FQHC, the Organization must have a sliding fee discount program in which the Organization's fee schedule is discounted based on a patient's ability to pay.

Condition: The Organization has not applied sliding fee discounts to patient charges consistent with its sliding fee discount program.

Recommendation: We recommended management review the complexity of the Organization's dental sliding fee discount schedule and consider whether modifications to the scale would better allow the billing system to correctly apply sliding fee discounts to dental patients without the need for staff correction. We also recommended management consider increasing the number of dental transactions reviewed as part of the Organization's internal monitoring procedures.

Status: Resolved.



## **Summary of Prior Audit Findings**

### **For the Year Ended December 31, 2022**

#### **Finding Number: 2021-001**

##### **Condition Found:**

The Organization has not applied sliding fee discounts to dental patient charges consistent with its sliding fee discount program.

##### **Corrective Action Planned:**

Finding detail will be reviewed with identified program staff who review sliding scale applications and staff who ensure it is applied correctly once an appointment has occurred. If any additional training is needed this would be completed by the Patient Accounts Director or CFO.

In 2021, the agency had two different discount percentages for each category depending on the type of dental service provided. This has been combined to one discount percent for each category and will be implemented in July 2022.

Additionally the agency will continue the monthly audits completed by the Patient Accounts Director, who reviews a sample of 15 sliding scale adjustments issued during the month. The audit includes review of the documentation received from the sliding scale application and will verify the discount received. Beginning in July 2022 10 dental specific samples will be added to this audit. Findings from this audit will continue to be shared with the agency Compliance Committee. Any errors are discussed directly with staff.

##### **Status:**

In July and August 2022 a power point training was developed regarding the sliding fee discount program. Any employee who speaks with patients regarding this program and reviews materials received by patients attended this training. Any new employee hired additionally receives this training.

The dental program now also has one discount percent for each category for all services instead of having two depending on the service received. This was implemented as originally planned in July 2022.

The monthly audits by our Patient Accounts Director continue in 2023 as described in the corrective action planned for the 2021 audit. At this point there is no plan to reduce or eliminate this monthly auditing. Additionally, the agency has trained a new sliding fee application reviewer for all received applications. This employee was an existing member of the agency's billing department and applications are reviewed weekly for accuracy.