



June 13, 2022

WV Department Health & Human Resources
Office of Internal Control & Policy Development
Division of Compliance & Monitoring
One Davis Square, Suite 401
Charleston WV 25301

Dear Sir or Madam:

Enclosed please find the Independent Auditor's Reports and Financial Statements for Community Care of West Virginia, Inc.'s fiscal year ended June 30, 2021.

Please contact me at (304) 942-6262 x2981 or jeffrey.jenkins@ccwv.org if I can provide any additional information or answer any questions.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Jeffrey Jenkins', is written over the word 'Sincerely,'.

Jeffrey Jenkins, CFO

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Community Care of West Virginia, Inc.

Independent Auditor's Reports and Financial Statements

June 30, 2021 and 2020

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Community Care of West Virginia, Inc.
June 30, 2021 and 2020

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Independent Auditor's Report

Board of Directors
Community Care of West Virginia, Inc.
Rock Cave, West Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of Community Care of West Virginia, Inc. (the "Organization"), which comprise the balance sheets as of June 30, 2021 and 2020, and the related statements of operations and changes in net assets and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Community Care of West Virginia, Inc. as of June 30, 2021 and 2020, and the results of its operations, changes in net assets, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in *Note 1* to the financial statements, in 2021, the Organization adopted Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. Our opinion is not modified with respect to this matter.

Supplementary Information

Our audits were 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*, and the schedule of expenditures of state awards as required by the State of West Virginia Accountability Requirements (WV Code 12-4,14), as listed in the table of contents, are presented for purposes of additional analysis and are 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 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 also have issued our report dated February 17, 2022, 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 Community Care of West Virginia, Inc.'s internal control over financial reporting and compliance.

BKD, LLP

Springfield, Missouri
February 17, 2022

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Community Care of West Virginia, Inc.

Balance Sheets

June 30, 2021 and 2020

Assets

	<u>2021</u>	<u>2020</u>
Current Assets		
Cash	\$ 7,708,234	\$ 10,681,814
Patient accounts receivable	3,532,465	3,249,500
Estimated amounts due from third-party payors	1,985,000	1,770,000
Grants and other receivables	4,622,901	4,306,831
Inventories	1,203,498	1,272,477
Prepaid expenses and other	306,337	174,812
	<u>19,358,435</u>	<u>21,455,434</u>
Property and Equipment, At Cost		
Land	577,025	577,025
Buildings and leasehold improvements	9,099,985	8,580,644
Furniture and equipment	2,895,110	2,817,929
Construction in progress	79,816	-
	<u>12,651,936</u>	<u>11,975,598</u>
Less accumulated depreciation	<u>6,384,105</u>	<u>5,985,939</u>
	<u>6,267,831</u>	<u>5,989,659</u>
Other Assets		
Deposits	18,901	18,901
Goodwill, net	155,750	178,000
	<u>174,651</u>	<u>196,901</u>
Total other assets	<u>174,651</u>	<u>196,901</u>
Total assets	<u>\$ 25,800,917</u>	<u>\$ 27,641,994</u>

See Notes to Financial Statements

Liabilities and Net Assets

	<u>2021</u>	<u>2020</u>
Current Liabilities		
Note payable to bank	\$ 150,000	\$ -
Current maturities of long-term debt	3,736,695	267,539
Other liability – current	37,100	37,100
Accounts payable	3,096,373	4,748,649
Accrued expenses	1,471,552	1,018,593
Accrued compensated absences – current	1,441,606	1,105,331
Deferred grant revenue	<u>43,725</u>	<u>6,985,548</u>
Total current liabilities	9,977,051	14,162,760
Accrued Compensated Absences	223,123	180,221
Long-Term Debt	2,913,239	6,600,179
Other Liability	<u>236,306</u>	<u>273,406</u>
Total liabilities	13,349,719	21,216,566
Net Assets Without Donor Restrictions	<u>12,451,198</u>	<u>6,425,428</u>
Total liabilities and net assets	<u>\$ 25,800,917</u>	<u>\$ 27,641,994</u>

Community Care of West Virginia, Inc.
Statements of Operations and Changes in Net Assets
Years Ended June 30, 2021 and 2020

	2021	2020 (Adjusted- Note 1)
Revenues, Gains, and Other Support Without Donor Restrictions		
Patient service revenue	\$ 33,401,616	\$ 31,363,628
Grant revenue	16,316,793	4,923,193
Contribution revenue	469,713	418,923
Other revenue	2,127,996	2,639,009
Total revenues, gains, and other support without donor restrictions	52,316,118	39,344,753
Expenses and Losses		
Salaries and wages	22,602,444	18,726,112
Employee benefits	4,447,930	3,722,841
Purchased services and professional fees	523,606	378,634
Supplies and other	17,164,654	14,743,549
Rent	826,399	778,946
Depreciation and amortization	515,133	655,397
Interest	210,182	193,628
Total expenses and losses	46,290,348	39,199,107
Excess of Revenues Over Expenses, Increase in Net Assets Without Donor Restrictions, and Change in Net Assets	6,025,770	145,646
Net Assets, Beginning of Year	6,425,428	6,279,782
Net Assets, End of Year	\$ 12,451,198	\$ 6,425,428

Community Care of West Virginia, Inc.
Statements of Cash Flows
Years Ended June 30, 2021 and 2020

	2021	2020
Operating Activities		
Change in net assets	\$ 6,025,770	\$ 145,646
Items not requiring (providing) cash		
Depreciation and amortization	515,133	655,397
Change in contributed supplies	2,791	40,726
Changes in		
Patient accounts receivable	(282,965)	(852,181)
Grants and other receivables	(316,070)	(2,628,510)
Estimated amounts due to third-party payors	(215,000)	(750,000)
Prepaid expenses and other	(131,525)	(34,589)
Inventories	66,188	(218,374)
Accounts payable and accrued expenses	(820,140)	2,336,695
Deferred grant revenue	(6,941,823)	6,965,962
	(2,097,641)	5,660,772
Net cash provided by (used in) operating activities		
Investing Activities		
Purchase of property and equipment	(733,121)	(440,290)
	(733,121)	(440,290)
Net cash used in investing activities		
Financing Activities		
Proceeds from issuance of long-term debt	-	3,631,200
Principal payments on long-term debt	(255,718)	(290,418)
Proceeds on note payable to bank	150,000	125,767
Payments on note payable to bank	-	(125,767)
Payments on other liabilities	(37,100)	(93,834)
	(142,818)	3,246,948
Net cash provided by (used in) financing activities		
Increase (Decrease) in Cash	(2,973,580)	8,467,430
Cash, Beginning of Year	10,681,814	2,214,384
Cash, End of Year	\$ 7,708,234	\$ 10,681,814
Supplemental Cash Flows Information		
Interest paid	\$ 210,182	\$ 193,628
Capital lease obligation incurred for property and equipment	\$ 37,934	\$ 216,635
Other long-term liability incurred for property and equipment	\$ -	\$ 333,900

Community Care of West Virginia, Inc.
Notes to Financial Statements
June 30, 2021 and 2020

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Community Care of West Virginia, Inc. (the "Organization") is a community health center that primarily earns revenues by providing primary care services through clinics located throughout North Central and Eastern West Virginia.

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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash

At June 30, 2021, the Organization's cash accounts exceeded federally insured limits by approximately \$6,821,000.

Patient Accounts Receivable

Patient accounts receivable reflects the outstanding amount of consideration to which the Organization expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payors (including health insurers and government programs), and others. As a service to the patient, the Organization bills third-party payors directly and bills the patient when the patient's responsibility for copays, coinsurance, and deductibles is determined. Patient accounts receivable are due in full when billed.

No material bad debt expense has been recognized for the years ended June 30, 2021 and 2020.

Inventories

The Organization states inventories at the lower of cost, determined using the first-in, first-out method, or net realizable value.

Property and Equipment

Property and equipment acquisitions over \$5,000 are stated at cost, less accumulated depreciation and amortization. Depreciation and amortization is charged to expense on a straight-line basis over the estimated useful life of each asset. Assets under capital lease obligations and leasehold improvements are depreciated over the shorter of the lease term or their respective estimated useful lives.

Community Care of West Virginia, Inc.
Notes to Financial Statements
June 30, 2021 and 2020

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

Buildings and leasehold improvements	3 – 40 years
Furniture and equipment	3 – 10 years

Certain property and equipment have been purchased with grant funds. Such items may have a reversionary interest by the grantor if not used to further the grants objectives or held for a specific length of time.

Donations of property and equipment are reported at fair value as an increase in net assets without donor restrictions unless use of the assets is restricted by the donor. Monetary gifts that must be used to acquire property and equipment are reported as restricted support. The expiration of such restrictions is reported as an increase in net assets without donor restrictions when the donated asset is placed in service.

Goodwill

The Organization elected the accounting alternative for goodwill. Under this alternative, goodwill is amortized on a straight-line basis over 10 years. The Organization evaluates the recoverability of the carrying value of goodwill at the entity level whenever events or circumstances indicate the carrying amount may not be recoverable.

In testing goodwill for impairment, the Organization has the option first to perform a qualitative assessment to determine whether it is more likely than not that goodwill is impaired or the entity can bypass the qualitative assessment and proceed directly to the quantitative test by comparing the carrying amount, including goodwill, of the entity with its fair value. The goodwill impairment loss, if any, is measured as the amount by which the carrying amount of an entity, including goodwill, exceeds its fair value. Subsequent increases in goodwill value are not recognized in the financial statements.

No goodwill impairment was recognized during the years ended June 30, 2021 and 2020.

Long-Lived Asset Impairment

The Organization evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value. No asset impairment was recognized during the years ended June 30, 2021 and 2020.

Community Care of West Virginia, Inc.
Notes to Financial Statements
June 30, 2021 and 2020

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor restrictions.

Net assets with donor restrictions are those whose use by the Organization has been limited by donors to a specific time period or purpose.

Net assets without donor restrictions are available for use in general operations and not subject to donor restrictions.

Patient Service Revenue

Patient service revenue is recognized as the Organization satisfies performance obligations under its contracts with patients. Patient service revenue is reported at the estimated transaction price or amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing patient care. The Organization determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with the Organization's policies, and implicit price concessions provided to uninsured patients.

The Organization determines its estimates of explicit price concessions which represent adjustments and discounts based on contractual agreements, its discount policies, and historical experience by payor groups. The Organization determines its estimate of implicit price concessions based on its historical collection experience by classes of patients. The estimated amounts also include variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations by third-party payors.

Capitation Revenue

The Organization has an agreement with the West Virginia Public Employees Insurance Agency to provide medical services to subscribing participants. Under this agreement, the Organization receives monthly capitation payments based on the number of participants, regardless of the services actually performed by the Organization. Revenue recorded under this agreement represents the fixed, agreed-upon amounts as a result of the Organization's stand-ready performance obligation to provide health care services to qualified beneficiaries. During 2021 and 2020, the Organization recorded capitation revenue of \$851,021 and \$890,354, respectively, which is included in patient service revenue on the statements of operations and changes in net assets.

Pharmacy Revenue

Pharmacy revenue is recognized as pharmaceuticals are dispensed. The Organization has a network of participating pharmacies that dispense the pharmaceuticals to its patients under contract arrangement with the Organization as well as four internal pharmacies. The Organization participates in the 340B "Drug Discount Program" which enables qualifying health care providers to purchase drugs from pharmaceutical suppliers at a substantial discount. The 340B Drug Discount Program is managed by the Health Resources and Services Administration (HRSA)

Community Care of West Virginia, Inc.

Notes to Financial Statements

June 30, 2021 and 2020

Office of Pharmacy Affairs. The Organization receives benefits under this program by purchasing pharmaceuticals at a reduced cost to fill prescriptions to qualified patients. Reported 340B revenue consists of the pharmacy reimbursements, net of initial purchase price of the drugs. Pharmacy gross receipts, cost of goods sold, and administrative and filling fees are as follows for the years ended June 30, 2021 and 2020:

	2021	2020
Gross receipts	\$ 7,305,592	\$ 6,779,202
Drug replenishment costs	(1,242,487)	(797,935)
Administrative and filling fees	(80,674)	(204,795)
Net revenue	\$ 5,982,431	\$ 5,776,472

The 340B gross receipts are included in patient service revenue on the statements of operations and changes in net assets. The drug replenishment cost and administrative and filling fees are included in the supplies and other on the statements of operations and changes in net assets. The net 340B revenue from this program is used in furtherance of the Organization's mission.

Contributions

Contributions are provided to the Organization either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts – with or without donor restrictions. The value recorded for each contribution is recognized as follows:

Nature of the Gift	Value Recognized
<i>Conditional gifts, with or without restriction</i>	
Gifts that depend on the Organization overcoming a donor-imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, <i>i.e.</i> , the donor-imposed barrier is met
<i>Unconditional gifts, with or without restriction</i>	
Received at date of gift – cash and other assets	Fair value
Received at date of gift – property, equipment, and long-lived assets	Estimated fair value
Expected to be collected within one year	Net realizable value
Collected in future years	Initially reported at fair value determined using the discounted present value of estimated future cash flows technique

Community Care of West Virginia, Inc.
Notes to Financial Statements
June 30, 2021 and 2020

In addition to the amount initially recognized, revenue for unconditional gifts to be collected in future years is also recognized each year as the present-value discount is amortized using the level-yield method.

When a donor 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 operations as net assets released from restrictions. Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment, and other long-lived assets are reported when those assets are placed in service.

Gifts and investment income having donor stipulations which are satisfied in the period the gift is received are recorded as revenue and net assets without donor restrictions.

Conditional contributions having donor stipulations which are satisfied in the period the gift is received are recorded as revenue and net assets without donor restrictions.

In-Kind Contributions

In addition to receiving cash contributions, the Organization receives in-kind contributions of pharmacy inventory and rent. It is the policy of the Organization to record the estimated fair value of certain in-kind donations as inventory or expense in its financial statements and similarly increase contribution revenue by a like amount. In-kind contributions of \$411,219 and \$391,187 were received for the years ended June 30, 2021 and 2020, respectively.

Government Grant Revenue

Support funded by grants is generally considered a conditional contribution and recognized as the Organization performs the contracted services or incurs outlays eligible for reimbursement under the grant agreements. Grants agreements which are reimbursement for services provided are considered exchange transactions and recognized as patient service revenue which is recognized as the service is performed. Grant activities and outlays are subject to audit and acceptance by the granting agency that, as a result of such audit, adjustments could be required.

Rural Health Care Program Incentive

Universal Service Administrative Company (USAC) is an independent not-for-profit designated by the Federal Communications Commission (FCC) to provide funding opportunities for organizations to have accessible and affordable internet connectivity. The Organization participates in the Rural Health Care (RHC) Program through USAC, which supports health care facilities in rural areas by providing increased broadband accessibility. Funding under the RHC Program is provided in one of two programs which include the Health Care Connect Fund and the Telecommunications Program. The Organization is receiving funding through the Telecommunications Program in which the Organization receives credits based on the difference in price for urban and rural telecommunication services. During 2021 and 2020, the Organization has

Community Care of West Virginia, Inc.
Notes to Financial Statements
June 30, 2021 and 2020

recorded revenue of \$1,532,690 and \$2,340,000, respectively, which is included in other revenue on the statements of operations and changes in net assets. At June 30, 2021 and 2020, the Organization had approved credits not yet received totaling approximately \$1,874,000 and \$2,956,000, respectively, which is included in grants and other receivables on the balance sheets.

Income Taxes

The Organization has been recognized as exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law. However, the Organization is subject to federal income tax on any unrelated business taxable income.

Excess of Revenues Over Expenses

The statements of operations and changes in net assets includes excess of revenues over expenses. Changes in net assets without donor restrictions which are excluded from excess of revenues over expenses, consistent with industry practice, include contributions and grants of long-lived assets (including assets acquired using contributions which by donor or granting agency restriction are to be used for the purpose of acquiring such assets).

Change in Accounting Principle

On July 1, 2020, the Organization adopted Financial Accounting Standards Board Accounting Standards Update 2014-09, *Revenue from Contracts with Customers (Topic 606)*, using a full retrospective method of adoption to all contracts with customers (patients) at July 1, 2019.

The core guidance in Topic 606 is to recognize revenue to depict the transfer of promised goods or services to customers, or patients in amounts that reflect the consideration to which the Organization expects to be entitled in exchange for those goods or services.

The amount to which the Organization expects to be entitled is calculated as the transaction price and recorded as revenue in exchange for providing patient services to its patients. Adoption of Topic 606 resulted in changes in presentation of financial statements and related disclosures in the notes to the financial statements.

Prior to the adoption of Topic 606, the majority of the provision for uncollectible accounts related to patients without insurance, as well as patient responsibility balances for copays, coinsurance, and deductibles for patients with insurance. Under Topic 606, the estimated amounts due from patients for which the Organization does not expect to be entitled or collect from the patients are considered implicit price concessions and excluded from the Organization's estimation of the transaction price or revenue recorded.

Community Care of West Virginia, Inc.
Notes to Financial Statements
June 30, 2021 and 2020

The following table presents the related effect of the adoption of Topic 606 on the statement of operations and changes in net assets for the year ended June 30, 2021:

	<u>As Previously Reported</u>	<u>As Adjusted</u>	<u>Adoption Impact</u>
Statement of Operations and Changes in Net Assets			
Revenues, Gains, and Other Support Without Donor Restrictions			
Patient service revenue (net of contractual discounts and allowances)	\$ 32,077,522	\$ -	\$ (32,077,522)
Provision for uncollectible accounts	<u>(713,894)</u>	<u>-</u>	<u>713,894</u>
Net patient service revenue less provision for uncollectible accounts	<u>\$ 31,363,628</u>	<u>\$ -</u>	<u>\$ (31,363,628)</u>
Patient service revenue	\$ -	\$ 31,363,628	\$ 31,363,628

The adoption had no impact on operating income, overall change in net assets, or net cash provided by operating activities.

Note 2: Grant Revenue

The Organization is the recipient of a Health Center Program (HCP) grant from the U.S. Department of Health and Human Services (the “granting agency”). The general purpose of the grant is to provide expanded health care service delivery for residents of Rock Cave, North Central, and Eastern West Virginia. Terms of the grant generally provide for funding of the Organization’s operations based on an approved budget. Grant revenue is recognized as the Organization meets conditions prescribed by the grant agreement, which requires incurring qualifying expenditures over the grant period. During the years ended June 30, 2021 and 2020, the Organization recognized \$7,928,584 and \$4,109,518, respectively, in HCP grant funds. The Organization’s present HCP grant award covers the grant period ending March 31, 2022, and is approved at \$4,571,854. The HCP is considered a conditional award. As such, the authorized funding in which the Organization has not incurred allowable expenditures has not been recognized in the financial statements at year-end.

In addition to the above grant, the Organization receives additional financial support from other federal, state, and private sources. Generally, such support requires compliance with terms and conditions specified in grant agreements and must be renewed on an annual basis.

Community Care of West Virginia, Inc.

Notes to Financial Statements

June 30, 2021 and 2020

Note 3: Patient Service Revenue

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, third-party payors (including health insurers and government programs), and others and includes variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations. Generally, the Organization bills the patients and third-party payors several days after the services are performed or the patient is discharged from the facility and patient accounts receivable are due in full when billed. Revenue is recognized as performance obligations are satisfied.

Performance Obligations

Performance obligations are determined based on the nature of the services provided by the Organization. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected or actual charges. The Organization believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to patients receiving services in the clinics. The Organization measures the performance obligation from the commencement of a service to the point when it is no longer required to provide services to that patient, which is generally at the time of completion of the services. Revenue for performance obligations satisfied at a point in time is generally recognized when goods are provided to its patients and customers in a retail setting (for example, pharmaceuticals) and the Organization does not believe it is required to provide additional goods related to the patient. The Organization had no performance obligations considered unsatisfied or partially unsatisfied as of June 30, 2021 and 2020.

Transaction Price

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

Community Care of West Virginia, Inc.

Notes to Financial Statements

June 30, 2021 and 2020

Third-Party Payors

The Organization is approved as a Federally Qualified Health Center (FQHC) for both Medicare and Medicaid reimbursement purposes. The Organization has agreements with third-party payors that provide for payments to the Organization at amounts different from its established rates. These payment arrangements include:

Medicare. Covered FQHC services rendered to Medicare program beneficiaries are paid in accordance with provisions of Medicare's Prospective Payment System (PPS) for FQHCs. Medicare payments, including patient coinsurance, are paid on the lesser of the Organization's actual charge or the applicable PPS rate. Services not covered under the FQHC benefit are paid based on established fee schedules.

Medicaid. Covered FQHC services rendered to Medicaid program beneficiaries are paid based on a prospective reimbursement methodology. The Organization is reimbursed an all-inclusive rate for services under the program. The encounter rate is adjusted annually based on the annual change in the Medicaid Economic Index and certain other factors.

The Organization has applied for a Medicaid change of scope rate adjustment with the State of West Virginia and expects the effective date to be August 18, 2018. The final encounter rate will be calculated using the State of West Virginia cost report for the period of July 1, 2018, through June 30, 2019, and will be retroactively applied to encounters subsequent to the approved change of scope date. The Organization has applied for a second Medicaid change of scope rate adjustment and expects the effective date to be October 15, 2019. The final encounter rate will be calculated using the State of West Virginia cost report for the period of July 1, 2020 through June 30, 2021 and will be retroactively applied to encounters subsequent to the approved change of scope date. The Organization has estimated the effect of these rate adjustments and has recorded an estimated amount due from third-party payors on the balance sheets of approximately \$1,490,000 at June 30, 2021 and 2020.

Other. Payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations provide for payment using prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

Laws and regulations concerning government programs, including Medicare and Medicaid, are complex and subject to varying interpretation. As a result of investigations by governmental agencies, various health care organizations have received requests for information and notices regarding alleged noncompliance with those laws and regulations, which, in some instances, have resulted in organizations entering into significant settlement agreements. Compliance with such laws and regulations may also be subject to future government review and interpretation, as well as significant regulatory action, including fines, penalties, and potential exclusion from the related programs. There can be no assurance that regulatory authorities will not challenge the Organization's compliance with these laws and regulations, and it is not possible to determine the impact (if any) such claims or penalties would have upon the Organization. In addition, the contracts the Organization has with commercial payors also provide for retroactive audit and review of claims.

Community Care of West Virginia, Inc.

Notes to Financial Statements

June 30, 2021 and 2020

Settlements with third-party payors for retroactive adjustments due to cost report or other audits, reviews, or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor, and the Organization's historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known based on newly available information or as years are settled or are no longer subject to such audits, reviews, and investigations. Adjustments arising from a change in the transaction price were not significant in 2021 and 2020.

Refund Liabilities

From time to time the Organization will receive overpayments of patient balances from third-party payors or patients resulting in amounts owed back to either the patients or third-party payors. These amounts are excluded from revenues and are recorded as liabilities until they are refunded. As of June 30, 2021 and 2020, the Organization has a liability for refunds to third-party payors and patients recorded of approximately \$94,673 and \$42,665, respectively, which is included in accounts payable on the balance sheets.

Patient and Uninsured Payors

Generally, patients who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. As required by Section 330 of the Public Health Service Act (42 U.S.C. §254b), the Organization also has established a sliding fee discount program and offers low-income patients a sliding fee discount from standard charges. The Organization estimates the transaction price for patients with deductibles and coinsurance and from those who are uninsured based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, sliding fee discounts, and implicit price concessions based on historical collection experience. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient service revenue in the period of the change. For the years ended June 30, 2021 and 2020, no significant revenue was recognized due to changes in its estimates of implicit price concessions, discounts, and contractual adjustment for performance obligations satisfied in prior years. Subsequent changes that are determined to be the result of an adverse change in the patient's ability to pay are recorded as bad debt expense.

Consistent with the Organization's mission, 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, such as copays and deductibles. The implicit price concessions included in estimating the transaction price represent the difference between amounts billed to patients and the amounts the Organization expects to collect based on its collection history with those patients.

Community Care of West Virginia, Inc.

Notes to Financial Statements

June 30, 2021 and 2020

Revenue Composition

The Organization has determined that the nature, amount, timing and uncertainty of revenue, and cash flows are affected by the following factors:

- Payors (for example, Medicare, Medicaid, other third-party payors, and patient responsibility) have different reimbursement and payment methodologies

The composition of patient service revenue by primary payor for the years ended June 30, 2021 and 2020, is as follows:

	<u>2021</u>	<u>2020</u>
Medicaid	\$ 12,460,767	\$ 12,647,269
Medicare	6,440,336	5,423,989
Self-pay	774,629	493,033
Other third-party payors	<u>13,725,884</u>	<u>12,799,337</u>
Total	<u>\$ 33,401,616</u>	<u>\$ 31,363,628</u>

For the years ended June 30, 2021 and 2020, the Organization recognized revenue of \$20,182,530 and \$19,302,203, respectively, from goods and services that transfer to the customer over time and \$13,219,086 and \$12,061,425, respectively, from goods and services that transfer to the customer at a point in time.

Contract Balances

The following table provides information about the Organization's receivables from contracts with customers:

	<u>2021</u>	<u>2020</u>
Accounts receivable, beginning of year	\$ 3,249,500	\$ 2,397,319
Accounts receivable, end of year	3,532,465	3,249,500

Financing Component

The Organization has elected the practical expedient allowed under FASB ASC 606-10-32-18 and does not adjust the promised amount of consideration from patients and third-party payors for the effects of a significant financing component due to the Organization's expectation that the period between the time the service is provided to a patient and the time the patient or a third-party payor pays for that service will be one year or less.

Community Care of West Virginia, Inc.

Notes to Financial Statements

June 30, 2021 and 2020

Note 4: Concentration of Credit Risk

The Organization grants credit without collateral to its patients, most of whom are area residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors at June 30, 2021 and 2020, was:

	<u>2021</u>	<u>2020</u>
Medicaid	43%	39%
Medicare	17%	22%
Self-pay	9%	9%
Other third-party payors	<u>31%</u>	<u>30%</u>
	<u>100%</u>	<u>100%</u>

Note 5: Conditional Grants and Contributions

The Organization has received the following conditional promises to give at June 30, 2021 and 2020, that are not recognized in the financial statements:

	<u>2021</u>	<u>2020</u>
Given upon incurring allowable expenditures under the agreement	<u>\$ 11,279,357</u>	<u>\$ 8,355,369</u>

Note 6: Medical Malpractice Claims

The U.S. Department of Health and Human Services deemed the Organization and its practicing professionals covered under the Federal Tort Claims Act (FTCA) for damage for personal injury, including death, resulting from the performance of medical, surgical, dental, and related functions. FTCA coverage is comparable to an occurrence policy without a monetary cap.

Claim liabilities are determined without consideration of insurance recoveries. Expected recoveries are presented separately. Based upon the Organization's claims experience, no accrual has been made for the Organization's medical malpractice costs for the years ended June 30, 2021 and 2020. However, because of the risk of providing health care services, it is possible that an event has occurred which will be the basis of a future material claim.

Community Care of West Virginia, Inc.
Notes to Financial Statements
June 30, 2021 and 2020

Note 7: Goodwill

Goodwill resulted from a November 2013 clinic acquisition. The carrying basis and accumulated amortization of recognized goodwill at June 30, 2021 and 2020, were:

	2021		2020	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Goodwill	\$ 222,500	\$ 66,750	\$ 222,500	\$ 44,500

Amortization expense for the years ended June 30, 2021 and 2020, was \$22,250 and \$22,250, respectively. Estimated amortization expense for future years is:

2022	\$ 22,250
2023	22,250
2024	22,250
2025	22,250
2026	22,250
Thereafter	<u>44,500</u>
	<u>\$ 155,750</u>

Note 8: Note Payable to Bank

The Organization has a secured note payable that allows borrowings up to \$1,000,000 with a variable interest rate based on the prime rate as published in the *Wall Street Journal* (3.25 percent at June 30, 2021). The note payable is secured by substantially all the Organization's assets. At June 30, 2021 and June 30, 2020, there was a balance outstanding on this note payable of \$150,000 and \$0, respectively. Interest payments are due monthly with the entire note balance payable on March 5, 2022 (maturity date). The bank may demand entire note repayment of this note prior to the maturity date.

Community Care of West Virginia, Inc.

Notes to Financial Statements

June 30, 2021 and 2020

Note 9: Other Liability

The Organization entered into an agreement with a lessor for which the lessor financed certain leasehold improvements in addition to the future minimum lease payments (*Note 14*). This agreement was paid in full as of June 30, 2020. During 2020, the Organization entered into a second agreement with a lessor for which the lessor financed certain leasehold improvements. The leasehold improvements are included in property and equipment and the related liability is included in other liability on the balance sheets. At June 30, 2021 and 2020, the Organization owed \$273,406 and \$310,506, respectively, under these agreements. The other liability is payable \$3,092 monthly through September 30, 2027. The balance is due in full upon early cancellation of the operating lease.

Note 10: Long-Term Debt

	<u>2021</u>	<u>2020</u>
Note payable, bank (A)	\$ 126,899	\$ 135,619
Note payable, bank (B)	2,681,431	2,782,579
Note payable, bank (C)	3,481,200	3,481,200
Note payable (D)	100,000	125,000
Lease revenue bonds (E)	38,119	65,893
Capital lease obligations (F)	<u>222,285</u>	<u>277,427</u>
	6,649,934	6,867,718
Less current maturities	<u>3,736,695</u>	<u>267,539</u>
	<u>\$ 2,913,239</u>	<u>\$ 6,600,179</u>

- (A) Due January 25, 2032; payable \$1,309 monthly including interest at 5.25 percent until January 2022, at which time interest rate will convert to a variable interest rate equal to prime interest rate as published in the *Wall Street Journal* plus 1.5 percent with a floor of 4.5 percent; secured by certain real property. The note requires the Organization to comply with certain restrictive covenants including submitting audited financial statements within 60 days after the end of each fiscal year and to maintain certain financial ratios including a debt service coverage ratio of 1.20. The covenant requiring submission of annual audited financial statements was not met for the year ended June 30, 2021. Management has reported the noncompliance to the bank and the bank has waived the noncompliance of the Organization based solely on the default status of the covenant for the year ended June 30, 2021. Subsequent to year-end, loan was paid in full with the proceeds from a new loan obtained in January 2022 (*Note 17*).

Community Care of West Virginia, Inc.
Notes to Financial Statements
June 30, 2021 and 2020

- (B) Due March 13, 2038; payable \$20,603 monthly, including interest at 5.50 percent until March 2023. Beginning April 13, 2023, the note is payable \$19,273 monthly including interest at a variable interest rate equal to the prime interest rate as published in the *Wall Street Journal*; secured by certain real property. The note requires the Organization to comply with certain restrictive covenants including submitting audited financial statements within 60 days after the end of each fiscal year and to maintain certain financial ratios including a debt service coverage ratio of 1.20. The annual audited financial statement covenant was not met for the year ended June 30, 2021. Management has reported the noncompliance to the bank and the bank has waived the noncompliance of the Organization based solely on the default status of this covenant for the year ended June 30, 2021. Subsequent to year-end, loan was paid in full with the proceeds from a new loan obtained in January 2022 (*Note 17*).
- (C) Obtained through the Small Business Association (SBA) Paycheck Protection Program (PPP) (see *Note 15*); due April 9, 2022; payable beginning 10 months after end of coverage period at \$195,946 monthly, including interest at 1 percent, with a final payment of remaining principal and interest due on maturity date; unsecured. Subsequent to June 30, 2021, the loan was forgiven in full.
- (D) Due December 1, 2022; payable \$50,000 yearly without interest for three years; unsecured. The loan has been paid in full subsequent to June 30, 2021.
- (E) Lease revenue bonds (the "Bonds") consist of tax-exempt variable rate bonds in the original amount of \$391,000 issued under the Town of West Milford Building Commission, privately placed with Premier Bank. The Bonds mature on September 25, 2022, payable \$3,174 monthly including interest at 2.81 percent, which was the prime rate as published in the *Wall Street Journal* multiplied by 66 percent; secured by certain real property.
- (F) At varying rates of imputed interest from 4.25 percent to 13.03 percent, due through December 2025; collateralized by equipment.

Property and equipment included the following equipment under capital leases:

	2021	2020
Equipment	\$ 344,610	\$ 801,114
Less accumulated depreciation	216,260	551,974
	\$ 128,350	\$ 249,140

Community Care of West Virginia, Inc.
Notes to Financial Statements
June 30, 2021 and 2020

Aggregate annual maturities of long-term debt and payments on capital lease obligations at June 30, 2021, are:

	Long-Term Debt	Capital Lease Obligations
2022	\$ 3,670,164	\$ 71,588
2023	172,726	64,819
2024	121,470	58,818
2025	128,422	41,172
2026	135,772	5,393
Thereafter	<u>2,199,095</u>	<u>-</u>
	<u>\$ 6,427,649</u>	241,790
Less amount representing interest		<u>19,505</u>
Present value of future minimum lease payments		222,285
Less current maturities		<u>66,531</u>
Noncurrent portion		<u>\$ 155,754</u>

Note 11: Liquidity and Availability

The Organization's financial assets available within one year of the balance sheet date for general expenditures are:

	2021	2020
Financial assets at year-end		
Cash	\$ 7,708,234	\$ 10,681,814
Patient accounts receivable	3,532,465	3,249,500
Estimated amounts due from third-party payors	1,985,000	1,770,000
Grants and other receivables	<u>4,622,901</u>	<u>4,306,831</u>
Financial assets available to meet general expenditures within one year	<u>\$ 17,848,600</u>	<u>\$ 20,008,145</u>

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. To help manage unanticipated liquidity needs, the Organization has a committed line of credit of \$1,000,000, which it could draw upon.

Community Care of West Virginia, Inc.
Notes to Financial Statements
June 30, 2021 and 2020

Note 12: Functional Expenses

The Organization provides health care services to residents within its geographic area. Certain costs attributable to more than one function have been allocated among the health care services and general and administrative expense classifications based on the salary allocation. The following schedules present the natural classification of expenses by function as follows:

	2021					Support Services	
	Health Care Program Services				Total Health Care Program Services	General and Administrative	Total
	Medical	Dental	Mental Health	Pharmacy			
Salaries and wages	\$ 13,297,891	\$ 327,188	\$ 2,654,700	\$ 1,929,221	\$ 18,209,000	\$ 4,393,444	\$ 22,602,444
Employee benefits	2,044,511	84,834	429,116	552,712	3,111,173	1,336,757	4,447,930
Purchased services and professional fees	2,490	-	114,001	900	117,391	406,215	523,606
Supplies and other	5,162,004	159,741	679,311	7,316,437	13,317,493	3,847,161	17,164,654
Rent	485,667	11,950	96,955	70,459	665,031	161,368	826,399
Depreciation and amortization	302,739	7,449	60,437	43,921	414,546	100,587	515,133
Interest	123,522	3,039	24,659	17,920	169,140	41,042	210,182
Total expenses	\$ 21,418,824	\$ 594,201	\$ 4,059,179	\$ 9,931,570	\$ 36,003,774	\$ 10,286,574	\$ 46,290,348

	2020					Support Services	
	Health Care Program Services				Total Health Health Care Program Services	General and Administrative	Total
	Medical	Dental	Mental Health	Pharmacy			
Salaries and wages	\$ 11,784,558	\$ 305,592	\$ 1,483,105	\$ 1,747,659	\$ 15,320,914	\$ 3,405,198	\$ 18,726,112
Employee benefits and professional fees	1,994,977	106,220	207,885	483,418	2,792,500	930,341	3,722,841
Supplies and other	9,875	400	85,617	2,185	98,077	280,557	378,634
Supplies and other	4,701,793	150,366	413,262	6,058,356	11,323,777	3,419,772	14,743,549
Rent	490,200	12,712	61,692	72,697	637,301	141,645	778,946
Depreciation and amortization	412,449	10,695	51,907	61,167	536,218	119,179	655,397
Interest	121,852	3,160	15,335	18,071	158,418	35,210	193,628
Total expenses	\$ 19,515,704	\$ 589,145	\$ 2,318,803	\$ 8,443,553	\$ 30,867,205	\$ 8,331,902	\$ 39,199,107

Community Care of West Virginia, Inc.

Notes to Financial Statements

June 30, 2021 and 2020

Note 13: Retirement Plan

The Organization has a defined contribution 401(k) retirement plan that covers substantially all employees. The Organization contributes 100 percent of the participant's contribution up to 3 percent of gross wages and 50 percent of the participant's contribution between 3 percent and 5 percent of gross wages after an employee has met the employment time requirement. The Organization also has a deferred compensation plan which covers select highly compensated employees. Retirement plan employer contributions for the years ended June 30, 2021 and 2020, were \$398,086 and \$358,821, respectively.

Note 14: Operating Leases

The Organization has noncancelable operating leases for primary care outpatient offices which expire in various years through 2030.

Future minimum lease payments at June 30, 2021, were:

2022	\$ 692,139
2023	687,245
2024	565,852
2025	525,156
2026	460,492
Thereafter	<u>875,065</u>
Future minimum lease payments	<u>\$ 3,805,949</u>

Note 15: COVID-19 Pandemic and CARES Act Funding

On March 11, 2020, the World Health Organization designated the SARS-CoV-2 virus and the incidence of COVID-19 (COVID-19) as a global pandemic. Patient volumes and the related revenues were significantly affected by COVID-19 as various policies were implemented by federal, state, and local governments in response to the pandemic that led many people to remain at home and forced the closure of or limitations on certain businesses, as well as suspended elective procedures by health care facilities.

While some of these policies have been eased and states have lifted moratoriums on nonemergent procedures, some restrictions remain in place, and some state and local governments reimposed certain restrictions due to increasing rates of COVID-19 cases prior to the widespread availability of a vaccine.

Community Care of West Virginia, Inc.

Notes to Financial Statements

June 30, 2021 and 2020

The Organization's pandemic response plan has multiple facets and continues to evolve as the pandemic unfolds. The Organization has taken precautionary steps to enhance its operational and financial flexibility, and react to the risks the COVID-19 pandemic presents to its business, including the following:

- Implementation of targeted cost reduction initiatives and
- Reduction of certain planned projects and capital expenditures

The extent of the COVID-19 pandemic's adverse effect on the Organization's operating results and financial condition has been and will continue to be driven by many factors, most of which are beyond the Organization's control and ability to forecast. Such factors include, but are not limited to, the scope and duration of stay-at-home practices and business closures and restrictions, government-imposed or recommended suspensions of elective procedures, continued declines in patient volumes for an indeterminable length of time, increases in the number of uninsured and underinsured patients as a result of higher sustained rates of unemployment, incremental expenses required for supplies and personal protective equipment, and changes in professional and general liability exposure.

Because of these and other uncertainties, the Organization cannot estimate the length or severity of the effect of the pandemic on the Organization's business. Decreases in results of operations may have an effect on debt covenant compliance and on the inputs and assumptions used in significant accounting estimates, including estimated price concessions related to uninsured patient accounts, and potential impairments of goodwill and long-lived assets.

Provider Relief Fund

During the years ended June 30, 2021 and 2020, the Organization received \$0 and \$6,965,348, respectively, of distributions from the CARES Act Provider Relief Fund (the "Provider Relief Fund"). These distributions from the Provider Relief Fund are not subject to repayment, provided the Organization is able to attest to and comply with the terms and conditions of the funding, including demonstrating that the distributions received have been used for qualifying expenses or lost revenue attributable to COVID-19, as defined by the Department of Health and Human Services.

The Organization has elected to account for such payments as conditional contributions in accordance with ASC Topic 958-605 – *Revenue Recognition*. Payments are recognized as grant revenue once the applicable terms and conditions required to retain the funds have been substantially met. Based on an analysis of the compliance and reporting requirements of the Provider Relief Fund and the effect of the pandemic on the Organization's revenues and expenses through year-end, the Organization recognized \$6,812,773 and \$0, respectively, related to the distributions from the Provider Relief Fund, and these payments are recorded as grant revenue in the accompanying statement of operations. The unrecognized amount of distributions from the Provider Relief Fund of \$152,575 is subject to repayment and recorded in accrued expenses in the accompanying balance sheets.

Community Care of West Virginia, Inc.

Notes to Financial Statements

June 30, 2021 and 2020

The Organization will continue to monitor compliance with the terms and conditions of the Provider Relief Fund and the effect of the pandemic on the Organization's revenues and expenses. The terms and conditions governing the Provider Relief Fund are complex and subject to interpretation and change. If the Organization is unable to attest to or comply with current or future terms and conditions, our ability to retain some or all of the distributions received may be affected. The Provider Relief Funds are subject to government oversight, including potential audits.

Paycheck Protection Program (PPP) Loan

The entity received a PPP loan established by the CARES Act and has elected to account for the funding as a loan in accordance with ASC Topic 470, *Debt*. Interest is accrued in accordance with the loan agreement. Any forgiveness of the loan is recognized as a gain in the financial statements in the period the debt is legally released. PPP loans are subject to audit and acceptance by the U.S. Department of Treasury, Small Business Administration, or lender; as a result of such audit, adjustments could be required to any gain recognized.

In August 2021, the Organization received legal notice that the PPP loan was forgiven in its entirety.

Supplementary CARES Act and American Rescue Plan Act Grants

In the Spring of 2020, the Organization was awarded three additional federal grant awards with various budget periods through March 2021 from the *Health Center Coronavirus Aid, Relief, and Economic Security (CARES) Act Funding* totaling \$2,035,095. In March 2021, the Organization was awarded an additional federal grant award with the budget period through March 2023 from the *American Rescue Plan (ARP) Act* totaling \$6,762,500. Each grant award contains specific terms and conditions that must be followed when utilizing this funding. Grant revenue is recognized and grant funds drawn down, as the Organization meets the conditions prescribed by the grant agreements which require incurring qualifying expenditures over the grant periods. During the years ended June 30, 2021 and 2020, the Organization recognized \$1,073,310 and \$256,692, respectively, in CARES Act grant funds and \$903,178 and \$0, respectively, in ARP Act grant funds.

Note 16: Significant Estimates and Concentrations

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

Variable Consideration

Estimates of variable consideration in determining the transaction price for patient service revenue are described in *Notes 1 and 3*.

Community Care of West Virginia, Inc.
Notes to Financial Statements
June 30, 2021 and 2020

Grant Revenues

A concentration of revenues related to grant awards and other support is described in *Note 2*.

Malpractice Claims

Estimates related to the accrual for medical malpractice claims are described in *Note 6*.

340B Drug Pricing Program

The Organization participates in the 340B Drug Pricing Program (340B Program) enabling the Organization to receive discounted prices from drug manufacturers on outpatient pharmaceutical purchases. This program is overseen by the Health Resources and Services Administration (HRSA) Office of Pharmacy Affairs (OPA). HRSA is currently conducting routine audits of these programs at health care organizations and increasing its compliance monitoring processes. Laws and regulations governing the 340B Program are complex and subject to interpretation and change. As a result, it is reasonably possible that material changes to the financial statement amounts related to the 340B Program could occur in the near term.

Litigation

In the normal course of business, the Organization is, from time to time, subject to allegations that may or do result in litigation. Some of these allegations are in areas not covered by the Organization's commercial insurance; for example, allegations regarding employment practices or performance of contracts. The Organization evaluates such allegations by conducting investigations to determine the validity of each potential claim. Based upon the advice of counsel, management records an estimate of the amount of ultimate expected loss, if any, for each of these matters. Events could occur that would cause the estimate of ultimate loss to differ materially in the near term.

Note 17: Subsequent Events

In August 2021, the Organization was the recipient of a federal grant award totaling \$987,828 from the American Rescue Plan Act Health Center Infrastructure Support program. Grant revenue will be recognized and grant funds drawn down, as the Organization meets the conditions prescribed by the grant agreement which require incurring qualifying expenses over the budget period from September 15, 2021, through September 14, 2024.

Community Care of West Virginia, Inc.

Notes to Financial Statements

June 30, 2021 and 2020

In January 2022, the Organization purchased a building in Buckhannon, West Virginia for \$2,600,000. The Organization intends to renovate the location to be the new CareExpress location which will include pediatric services. The building purchase was financed through a new loan obtained from Citizens Bank of West Virginia for \$5,400,000. The remaining proceeds from the loan were used to pay in full the remaining principal balance of the two outstanding loans (*Note 10*). Note payable is due January 12, 2042, with monthly payments of \$28,644, including interest of 3.99 percent, with a final payment of remaining principal and interest due on maturity date. Note payable is secured by certain real property and requires the Organization to comply with certain restrictive covenants including submitting audited financial statements within 30 days after the end of the fiscal year and to maintain certain financial ratios including a debt service coverage ratio of 1.15.

Subsequent events have been evaluated through February 17, 2022, which is the date the financial statements were available to be issued.

Note 18: Future Change in Accounting Principle

Accounting for Leases

The Financial Accounting Standards Board amended its standard related to the accounting for leases. Under the new standard, lessees will now be required to recognize substantially all leases on the consolidated balance sheets as both a right-of-use asset and a liability. The standard has two types of leases for income statement recognition purposes: operating leases and finance leases. Operating leases will result in the recognition of a single lease expense on a straight-line basis over the lease term similar to the treatment for operating leases under existing standards. Finance leases will result in an accelerated expense similar to the accounting for capital leases under existing standards. The determination of lease classification as operating or finance will be done in a manner similar to existing standards. The new standard also contains amended guidance regarding the identification of embedded leases in service contracts and the identification of lease and nonlease components in an arrangement. The new standard is effective for annual periods beginning after December 15, 2021. The Organization is evaluating the impact the standard will have on the financial statements; however, the standard is expected to have a material impact on the financial statements due to the recognition of additional assets and liabilities for operating leases.

Supplementary Information

Community Care of West Virginia, Inc.
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2021

Federal Grantor/ Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. Department of Health and Human Services/Health Center Program/ Health Center Program Cluster	93.224	N/A	\$ -	\$ 833,920
U.S. Department of Health and Human Services/Affordable Care Act (ACA) Grants for New and Expanded Services under the Health Center Program/Health Center Program Cluster	93.527	N/A	-	5,118,176
U.S. Department of Health and Human Services/COVID-19 – Health Center Program/Health Center Program Cluster	93.224	N/A	-	1,976,488
Total Health Center Program Cluster			-	7,928,584
U.S. Department of Health and Human Services/West Virginia Department of Health and Human Resources, Bureau for Behavioral Health Office of Programs and Policies/Opioid STR	93.788	G200504 G200506 G210734	-	418,647 136,994 92,184
Total Opioid STR			-	647,825
Appalachian Regional Commission/Marshall University Research Corporation/ Appalachian Research, Technical Assistance, and Demonstration Projects/ Research and Development Cluster	23.011	R2001962	-	26,225
U.S. Department of Health and Human Services/COVID-19 – Provider Relief Fund	93.498	N/A	-	6,812,773
Total forward			-	15,415,407

Community Care of West Virginia, Inc.
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2021

Federal Grantor/ Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
Total forward			\$ -	\$ 15,415,407
U.S. Department of Health and Human Services/Rural Health Care Services Outreach, Rural Health Network Development, and Small Health Care Provider Quality Improvement	93.912	N/A	-	441,905
U.S. Department of Health and Human Services/West Virginia University/ Organized Approaches to Increase Colorectal Cancer Screening	93.800	15-758-CCWV	-	30,000
U.S. Department of Health and Human Services/West Virginia Department of Health and Human Resources, Bureau for Public Health Office of Community Health Systems & Health Promotion/ Grants to States for Loan Repayment	93.165	G210683	-	49,000
U.S. Department of Health and Human Services/West Virginia Department of Health and Human Resources, Bureau for Public Health Office of Community Health Systems & Health Promotion/ Preventive Health and Health Services Block Grant	93.991	G210789	-	25,000
U.S. Department of Health and Human Services Centers for Medicare and Medicaid Services/Partners in Health Network, Inc./Accountable Health Communities	93.650	CMS-1P1-17 -001	-	36,028
U.S. Department of Health and Human Services/Affordable Care Act (ACA) Grants for School-Based Health Center Capital Expenditures	93.501	N/A	-	14,784
Total expenditures of federal awards			\$ -	\$ 16,012,124

Community Care of West Virginia, Inc.
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2021

Notes to Schedule

1. The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Community Care of West Virginia, Inc. under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Community Care of West Virginia, Inc., it is not intended to and does not present the financial position, results of operations, changes in net assets, or cash flows of Community Care of West Virginia, Inc.
2. Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Community Care of West Virginia, Inc. has elected not to use the 10 percent de minimus indirect cost rate allowed under the Uniform Guidance.
3. Community Care of West Virginia, Inc. did not have any federal loan programs during the year ended June 30, 2021.
4. Personal Protective Equipment (PPE) (Unaudited): Community Care of West Virginia, Inc. did not receive donated PPE from a federal source during the year ended June 30, 2021.

Community Care of West Virginia, Inc.
Schedule of Expenditures of State Awards
Year Ended June 30, 2021

State Grantor/ Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Program Period	Program or Award Amount	Passed Through to Subrecipients	State Grant Receipts (Paybacks)	Total State Expenditures
West Virginia Department of Health and Human Resources						
Behavioral Health Program	G200627	10/1/19-9/30/20	\$ 50,000	\$ -	\$ 20,667	\$ 12,457
Behavioral Health Program	G210655	10/1/20-9/30/21	50,000	-	24,748	28,762
State Loan Repayment Program (SLRP)	G210683	9/1/20-6/30/21	49,000	-	49,000	49,000
State Loan Repayment Program (SLRP)	G210789	9/1/20-6/30/21	25,000	-	25,000	25,000
Recruitment and Retention Community	G210469	8/1/20-6/30/21	20,000	-	20,000	20,000
Statewide Therapist Loan Repayment Program (STLR)	G210814	10/1/20-9/30/22	40,000	-	40,000	40,000
Total Expenditures of State Awards				\$ -	\$ 179,415	\$ 175,219

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Independent Auditor's Report

Board of Directors
Community Care of West Virginia, Inc.
Rock Cave, West Virginia

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Community Care of West Virginia, Inc. (the "Organization"), which comprise the balance sheet as of June 30, 2021, and the related statements of operations and changes in net assets and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 17, 2022, which contained an "Emphasis of Matter" paragraph regarding a change in accounting principle.

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, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2021-001 that we consider to be a material weakness.

Board of Directors
Community Care of West Virginia, Inc.

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*.

Community Care Of West Virginia, Inc.'s Response to Finding

The Organization's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Community Care of West Virginia, Inc.'s response was not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

Purpose of this Report

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

BKD, LLP

Springfield, Missouri
February 17, 2022

Report on Compliance for the Major Federal Program and Report on Internal Control Over Compliance

Independent Auditor's Report

Board of Directors
Community Care of West Virginia, Inc.
Rock Cave, West Virginia

Report on Compliance for the Major Federal Program

We have audited Community Care of West Virginia, Inc.'s (the "Organization") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Community Care of West Virginia, Inc.'s major federal program for the year ended June 30, 2021. Community Care of West Virginia, Inc.'s major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Board of Directors
Community Care of West Virginia, Inc.

Opinion on the Major Federal Program

In our opinion, Community Care of West Virginia, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2021.

Report on Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

BKD, LLP

Springfield, Missouri
May 31, 2022

Community Care of West Virginia, Inc.
Schedule of Findings and Questioned Costs
Year Ended June 30, 2021

Summary of Auditor's Results

Financial Statements

1. The type of report the auditor issued on whether the financial statements audited were prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) was:

Unmodified Qualified Adverse Disclaimer

2. The independent auditor's report on internal control over financial reporting disclosed:

Significant deficiency(ies)? Yes None reported

Material weakness(es)? Yes No

3. Noncompliance considered material to the financial statements was disclosed by the audit?

Yes No

Federal Awards

4. The independent auditor's report on internal control over compliance for major federal awards programs disclosed:

Significant deficiency(ies)? Yes None reported

Material weakness(es)? Yes No

5. The opinion expressed in the independent auditor's report on compliance for major federal award program was:

Unmodified Qualified Adverse Disclaimer

6. The audit disclosed findings required to be reported by 2 CFR 200.516(a)?

Yes No

Community Care of West Virginia, Inc.
Schedule of Findings and Questioned Costs
Year Ended June 30, 2021

7. The Organization's major program was:

<u>Cluster/Program</u>	<u>CFDA Number</u>
Provider Relief Fund	93.498

8. The threshold used to distinguish between Type A and Type B programs was \$750,000.

9. The Organization qualified as a low-risk auditee? Yes No

Community Care of West Virginia, Inc.
Schedule of Findings and Questioned Costs
Year Ended June 30, 2021

Findings Required to be Reported by Government Auditing Standards

Reference Number	Finding
2021-001	<p>Criteria or Specific Requirement – Management is responsible for establishing and maintaining effective internal control over financial reporting.</p> <p>Condition – The Organization’s financial statements required adjusting journal entries to be in conformity with accounting principles generally accepted in the United States of America (GAAP). Areas in which adjustments were proposed and recorded include:</p> <ul style="list-style-type: none"> • Long-term debt and supplies and other • Grants and other receivables and patient service revenue <p>Effect – Adjusting journal entries were proposed during the financial statement audit.</p> <p>Cause – The Organization’s policies and procedures in effect did not identify certain necessary adjustments required to present the financial statements in accordance with generally accepted accounting principles.</p> <p>Recommendation – Management should continue to monitor monthly and year-end closing procedures to ensure detailed review is completed for journal entries and agreed to supporting schedules.</p> <p>Views of Responsible Officials and Planned Corrective Actions – Community Care of West Virginia, Inc. (CCWV) has reviewed its journal entry processes and has determined that additional internal controls would be prudent in preventing future issues of this kind.</p> <p>As such, CCWV will implement deeper review processes for journal entries, along with a deeper review of journal entry backup and calculations. Because this finding was a result of a spreadsheet formula error, part of the journal entry internal control processes will now include a review of spreadsheet/backup documentation calculations. In addition, CCWV will continue to monitor monthly and year-end closing procedures.</p> <p>With the above revisions to CCWV’s internal control processes, we believe the noted audit finding has been rectified.</p> <p>Responsible Official: Connie Johnston, CFO</p> <p>Estimated Date of Completion: January 20, 2022</p>

Community Care of West Virginia, Inc.
Schedule of Findings and Questioned Costs
Year Ended June 30, 2021

Findings Required to be Reported by the Uniform Guidance

Reference Number	Finding
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No matters are reportable.

Community Care of West Virginia, Inc.
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2021

Reference Number	Finding	Status
2020-001	<p style="text-align: center;">Health Center Program Cluster CFDA Nos. 93.224 and 93.527</p> <p style="text-align: center;">U.S. Department of Health and Human Services Award No. 6 H80CS00080-19-06 Program Year 2020</p> <p>Criteria of Specific Requirement – Special Tests and Provisions: Sliding Fee Discounts (42 USC 254(k)(3)(g); 42 CFR Sections 51c.303(g); and 42 CFR Sections 56.303(f))</p> <p>Condition – Patients who were eligible for sliding fee discounts under the Organization’s policy were given incorrect sliding fee discounts. Certain sliding fee discounts were incorrectly calculated based on the net remaining balance rather than being calculated based on gross charges as required by the Health Center Program Compliance Manual.</p> <p>Questioned Cost – None</p> <p>Context – A sample of 25 encounters were tested out of the total population of 143,728 eligible encounters. The sampling methodology used is not, and is not intended, to be statistically valid. Of the 25 encounters tested, 3 were determined to have resulted in an improper sliding fee adjustment based on the Organization’s approved sliding fee policy, approved sliding fee table, and screening of patient eligibility.</p> <p>Effect – Improper sliding fee discounts were given to patients.</p> <p>Cause – The Organization did not comply with their sliding fee policy.</p>	Resolved