

**NORTH COUNTRY HEALTH
CONSORTIUM, INC. AND SUBSIDIARY
CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018**

DRAFT

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NORTH COUNTRY HEALTH CONSORTIUM, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2019 AND 2018

	2019	2018
ASSETS		
Current assets		
Cash and cash equivalents	\$ 947,618	\$ 687,847
Accounts receivable, net		
Grants and contracts	1,011,598	966,962
Dental services	-	898
Certificates of deposit	126,701	126,065
Prepaid expenses	33,068	21,356
Restricted cash - IDN	2,340,257	1,987,216
Total current assets	<u>4,459,242</u>	<u>3,790,344</u>
Property and equipment:		
Computers and equipment	147,392	147,392
Dental equipment	10,815	32,808
Furnitures and fixtures	30,045	30,045
Vehicles	18,677	18,677
Accumulated depreciation	(181,007)	(170,735)
Property and equipment, net	<u>25,922</u>	<u>58,187</u>
Other assets		
Restricted cash - IDN	400,000	800,000
Total other assets	<u>400,000</u>	<u>800,000</u>
Total assets	<u>\$ 4,885,164</u>	<u>\$ 4,648,531</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 204,323	\$ 396,039
Accrued expenses	13,389	8,983
Accrued wages and related liabilities	354,015	265,717
Deferred revenue	2,849,839	1,854,420
Total current liabilities	<u>3,421,566</u>	<u>2,525,159</u>
Long-term liabilities		
Deferred revenue - Long term portion	400,000	800,000
Total long-term liabilities	<u>400,000</u>	<u>800,000</u>
Total liabilities	<u>3,821,566</u>	<u>3,325,159</u>
Net assets		
Without donor restrictions	1,063,598	1,323,372
Total net assets	<u>1,063,598</u>	<u>1,323,372</u>
Total liabilities and net assets	<u>\$ 4,885,164</u>	<u>\$ 4,648,531</u>

See accompanying notes.

NORTH COUNTRY HEALTH CONSORTIUM, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018

	2019	2018
Support:		
Grant and contract revenue	<u>\$ 4,956,424</u>	<u>\$ 5,017,825</u>
Revenue:		
Dental patient revenue	15,462	101,092
Fees for programs and services	1,733,329	1,455,860
Interest income	6,337	6,085
Other income	2,050	12,766
Total revenue	<u>1,757,178</u>	<u>1,575,803</u>
Total support and revenue	<u>6,713,602</u>	<u>6,593,628</u>
Program expenses:		
Workforce	2,201,736	3,263,756
Public health	108,996	198,719
Molar	103,152	219,335
Friendship house	2,390,474	1,654,782
CSAP	1,670,554	869,873
Total program expenses	<u>6,474,912</u>	<u>6,206,465</u>
Management and general	<u>495,512</u>	<u>485,028</u>
Total expenses	<u>6,970,424</u>	<u>6,691,493</u>
Loss on sale of property and equipment	<u>(2,952)</u>	<u>-</u>
Change in net assets	(259,774)	(97,865)
NET ASSETS, beginning of the year	<u>1,323,372</u>	<u>1,421,237</u>
NET ASSETS, end of the year	<u><u>\$ 1,063,598</u></u>	<u><u>\$ 1,323,372</u></u>

See accompanying notes.

NORTH COUNTRY HEALTH CONSORTIUM, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	<u>Workforce</u>	<u>Public Health</u>	<u>Molar</u>	<u>Friendship House</u>	<u>CSAP</u>	<u>Total Program</u>	<u>Management & General</u>	<u>Total</u>
Personnel:								
Salaries	\$ 969,231	\$ 72,859	\$ 72,634	\$ 1,454,659	\$ 831,437	\$ 3,400,820	\$ 306,627	\$ 3,707,447
Payroll taxes and employee benefits	186,721	15,348	13,385	296,250	156,563	668,267	47,097	715,364
Subtotal	<u>1,155,952</u>	<u>88,207</u>	<u>86,019</u>	<u>1,750,909</u>	<u>988,000</u>	<u>4,069,087</u>	<u>353,724</u>	<u>4,422,811</u>
Site expenses:								
Computer fees	10,804	830	990	17,033	8,027	37,684	4,468	42,152
Medical and pharmacy supplies, MOA	646,669	1,810	8,811	28,179	396,126	1,081,595	834	1,082,429
Office supplies	6,044	2,800	324	45,308	25,439	79,915	17,126	97,041
Food	-	-	-	74,719	-	74,719	-	74,719
Subtotal	<u>663,517</u>	<u>5,440</u>	<u>10,125</u>	<u>165,239</u>	<u>429,592</u>	<u>1,273,913</u>	<u>22,428</u>	<u>1,296,341</u>
General:								
Bad debts	-	-	-	12,153	-	12,153	-	12,153
Depreciation	-	-	3,134	3,735	-	6,869	20,443	27,312
Dues, memberships, education, and subscriptions	145,997	30	265	16,659	478	163,429	9,571	173,000
Staff development	1,299	626	201	293	1,449	3,868	262	4,130
Equipment and maintenance	20,044	-	-	4,597	14,128	38,769	2,517	41,286
Rent and occupancy	44,146	3,773	921	222,386	31,257	302,483	21,088	323,571
Insurance	5,520	1,188	930	7,989	4,371	19,998	5,213	25,211
Miscellaneous	24,114	-	(2,285)	2,502	13,183	37,514	5,969	43,483
Payroll processing fees	115	50	-	995	131	1,291	9,140	10,431
Postage	1,130	69	65	1,277	785	3,326	691	4,017
Printing	3,800	180	250	4,690	4,935	13,855	1,863	15,718
Professional fees	9,327	793	386	136,619	5,895	153,020	11,740	164,760
Training fees and supplies	36,593	2,983	83	11,655	73,172	124,486	13,586	138,072
Travel	50,677	4,704	2,094	22,416	50,437	130,328	7,139	137,467
Telephone	10,014	953	397	20,608	6,033	38,005	1,141	39,146
Vehicle expense	-	-	567	5,752	-	6,319	(162)	6,157
Event facility fees	29,491	-	-	-	46,708	76,199	9,159	85,358
Subtotal	<u>382,267</u>	<u>15,349</u>	<u>7,008</u>	<u>474,326</u>	<u>252,962</u>	<u>1,131,912</u>	<u>119,360</u>	<u>1,251,272</u>
Total expenses	<u>\$ 2,201,736</u>	<u>\$ 108,996</u>	<u>\$ 103,152</u>	<u>\$ 2,390,474</u>	<u>\$ 1,670,554</u>	<u>\$ 6,474,912</u>	<u>\$ 495,512</u>	<u>\$ 6,970,424</u>

See accompanying notes.

**NORTH COUNTRY HEALTH CONSORTIUM, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	<u>Workforce</u>	<u>Public Health</u>	<u>Molar</u>	<u>Friendship House</u>	<u>CSAP</u>	<u>Total Program</u>	<u>Management & General</u>	<u>Total</u>
Personnel:								
Salaries	\$ 987,365	\$ 115,572	\$ 112,796	\$ 1,102,500	\$ 377,817	\$ 2,696,050	\$ 281,983	\$ 2,978,033
Payroll taxes and employee benefits	185,492	20,750	21,938	191,092	70,231	489,503	48,518	538,021
Subtotal	<u>1,172,857</u>	<u>136,322</u>	<u>134,734</u>	<u>1,293,592</u>	<u>448,048</u>	<u>3,185,553</u>	<u>330,501</u>	<u>3,516,054</u>
Site expenses:								
Computer fees	16,218	1,186	3,392	14,158	4,688	39,642	3,161	42,803
Medical and pharmacy supplies, MOA	1,610,212	36,431	55,217	20,063	307,207	2,029,130	4,967	2,034,097
Office supplies	17,314	2,634	448	55,007	9,892	85,295	30,617	115,912
Food	-	-	-	58,405	-	58,405	-	58,405
Subtotal	<u>1,643,744</u>	<u>40,251</u>	<u>59,057</u>	<u>147,633</u>	<u>321,787</u>	<u>2,212,472</u>	<u>38,745</u>	<u>2,251,217</u>
General:								
Bad debt	-	-	-	12,847	-	12,847	-	12,847
Depreciation	-	-	6,869	-	-	6,869	26,613	33,482
Dues, memberships, education, and subscriptions	203,919	59	76	1,448	3,429	208,931	8,658	217,589
Education and training	2,108	-	140	-	1,050	3,298	45	3,343
Equipment and maintenance	22,299	-	544	3,787	-	26,630	2,420	29,050
Rent and occupancy	51,842	5,628	6,099	96,708	19,061	179,338	20,556	199,894
Insurance	5,364	972	1,173	5,254	1,902	14,665	5,016	19,681
Miscellaneous	-	-	219	6,757	975	7,951	-	7,951
Payroll processing fees	150	50	-	600	94	894	9,105	9,999
Postage	1,646	168	178	1,073	562	3,627	313	3,940
Printing	4,208	366	1,175	2,835	1,495	10,079	1,756	11,835
Professional fees	26,047	1,000	2,797	34,789	3,784	68,417	19,353	87,770
Training fees and supplies	53,602	914	1,000	10,580	9,968	76,064	4,758	80,822
Travel	47,224	2,806	1,475	26,851	27,947	106,303	8,423	114,726
Telephone	10,222	1,116	501	9,997	2,351	24,187	1,327	25,514
Vehicle expense	-	-	3,298	31	-	3,329	497	3,826
Event facility fees	18,524	9,067	-	-	27,420	55,011	6,942	61,953
Subtotal	<u>447,155</u>	<u>22,146</u>	<u>25,544</u>	<u>213,557</u>	<u>100,038</u>	<u>808,440</u>	<u>115,782</u>	<u>924,222</u>
Total expenses	<u>\$ 3,263,756</u>	<u>\$ 198,719</u>	<u>\$ 219,335</u>	<u>\$ 1,654,782</u>	<u>\$ 869,873</u>	<u>\$ 6,206,465</u>	<u>\$ 485,028</u>	<u>\$ 6,691,493</u>

See accompanying notes.

NORTH COUNTRY HEALTH CONSORTIUM, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (259,774)	\$ (97,865)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	27,312	33,482
Bad debt expense	12,153	12,847
Loss on sale of property and equipment	2,952	-
(Increase) decrease in operating assets:		
Accounts receivable - Grants and contracts	(56,789)	(431,418)
Accounts receivable - Dental services	898	(34)
Prepaid expenses	(11,712)	(11,396)
Restricted cash - IDN	46,959	(565,828)
Increase (decrease) in operating liabilities:		
Accounts payable	(191,716)	290,694
Accrued expenses	4,406	2,062
Accrued wages and related liabilities	88,298	111,263
Deferred revenue	595,419	269,155
Net cash provided (used) by operating activities	258,406	(387,038)
CASH FLOWS FROM INVESTING ACTIVITIES		
Reinvestment of certificates of deposit interest	(636)	(525)
Proceeds from sale of property and equipment	2,001	-
Net cash provided (used) by investing activities	1,365	(525)
Net increase (decrease) in cash and cash equivalents	259,771	(387,563)
Beginning cash and cash equivalents	687,847	1,075,410
Ending cash and cash equivalents	\$ 947,618	\$ 687,847

See accompanying notes.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Nature of Activities and Summary of Significant Accounting Policies

Nature of activities

North Country Health Consortium, Inc. and Subsidiary (NCHC) (the Organization) is a not-for-profit health center chartered under the laws of the State of New Hampshire. The Organization's mission is to lead innovative collaboration to improve the health status of the region. NCHC is engaged in promoting and facilitating access to services and programs that improve the health status of the area population, provide health training and educational opportunities for healthcare purposes, and provide region-wide dental services for an underserved and uninsured residents.

The Organization's wholly owned subsidiary, North Country ACO (the ACO), is a non-profit 501(c)(3) charitable corporation formed in December 2011. This entity was formed as an accountable care organization (ACO) with its purpose to support the programs and activities of the ACO participants to improve the overall health of their respective populations and communities. A nominal cash balance remains and activities have ceased.

The Organization's primary programs are as follows:

Network and Workforce Activities – To provide workforce education programs and promote oral health initiatives for the Organization's dental services.

Public Health and CSAP – To conduct community substance abuse prevention activities, coordination of public health networks, and promote community emergency response plan.

Dental Services and Molar – To sustain a program offering oral health services for children and low income adults in northern New Hampshire.

Friendship House – A residential facility to provide patient drug and alcohol treatment and recovery.

Following is a summary of the significant accounting policies used in the preparation of these consolidated financial statements.

Financial statement presentation

Financial statements presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statement of Not-for-Profit Organizations* and the provisions of Accounting Standards Update (ASU) No. 2016-14, *Not-For-Profit Entities: Presentation of Financial Statements of Not-or-Profit Entities*. Under ASU No. 2016-14, the Organization is required to report information regarding its financial position and activities according to two classes of net assets; net assets without donor restrictions and net assets with donor restrictions. The Organization had no net assets with donor restrictions at September 30, 2019 and 2018.

Basis of accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Note 1. Nature of Activities and Summary of Significant Accounting Policies (Continued)

The Organization uses the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., measurable and earned. Measurable refers to the ability to quantify in monetary terms the amount of the revenue and receivable. Expenses are recognized when they become liable for payment.

Principles of consolidation

The accompanying consolidated financial statements include the accounts of North Country Health Consortium, Inc. and its wholly owned subsidiary, North Country ACO. All inter-company transactions and balances have been eliminated in consolidation.

Use of estimates

In preparing the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Concentration of risk

The Organization's operations are affected by various risk factors, including credit risk and risk from geographic concentration and concentrations of funding sources. Management attempts to manage risk by obtaining and maintaining revenue funding from a variety of sources. A substantial portion of the Organization's activities are funded through grants and contracts with private, federal, and state agencies. As a result, the Organization may be vulnerable to the consequences of change in the availability of funding sources and economic policies at the agency level. The Organization generally does not require collateral to secure its receivables.

Revenue recognition

Below are the revenue recognition policies of the Organization:

Dental Patient Revenue

Dental services are recorded as revenue within the fiscal year related to the service period.

Grant and Contract Revenue

Grants and contracts are recorded as revenue in the period they are earned by satisfaction of grant or contract requirements.

Fees for Programs and Services

Fees for programs and services are recorded as revenue in the period the related services were performed.

Cash and cash equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Note 1. Nature of Activities and Summary of Significant Accounting Policies (Continued)

Restricted cash - IDN

Restricted cash – IDN consists of advanced funding received from The State of New Hampshire Department of Health and Human Services for the Integrated Delivery Network program (IDN). The original advance of funds of \$2,000,000 is to be used to fund the Organization’s cost of administering the IDN over a period of five years, beginning in fiscal year 2017. The remaining balance is to be distributed to participants.

For the years ending September 30, 2019 and 2018, these amounts were restricted as follows:

	2019	2018
Administration fee to the Organization	\$ 800,000	\$ 1,200,000
Distributions to participants	<u>1,940,257</u>	<u>1,587,216</u>
	<u>\$ 2,740,257</u>	<u>\$ 2,787,216</u>

Accounts receivable

The Organization has receivable balances due from dental services provided to individuals and from grants and contracts received from federal, state, and private agencies. Management reviews the receivable balances for collectability and records an allowance for doubtful accounts based on historical information, estimated contractual adjustments, and current economic trends. Management considers the individual circumstances when determining the collectability of past due amounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to earnings and a credit to accounts receivable. Any collection fees or related costs are expensed in the year incurred. The Organization recorded an allowance for doubtful accounts for estimated contractual adjustments for dental service of \$0 and \$598 as of September 30, 2019 and 2018, respectively, and an allowance for doubtful accounts for grants and contracts of \$25,000 and \$12,847 as of September 30, 2019 and 2018, respectively. The Organization does not charge interest on its past due accounts, and collateral is generally not required.

Certificates of deposit

The Organization has three certificates of deposit that may be withdrawn without penalty with one financial institution. These certificates carry original terms of 12 months to 24 months, have interest rates ranging from .50% to .55%, and mature at various dates through September 2020.

Property and equipment

Property and equipment is stated at cost less accumulated depreciation. The Organization generally capitalizes property and equipment with an estimated useful life in excess of one year and installed costs over \$2,500. Lesser amounts are generally expensed. Purchased property and equipment is capitalized at cost.

Note 1. Nature of Activities and Summary of Significant Accounting Policies (Continued)

Property and equipment are depreciated using the straight-line method using the following ranges of estimated useful lives:

Computers and equipment	3-7 years
Dental equipment	5-7 years
Furniture and fixtures	5-7 years
Vehicles	5 years

Depreciation expense totaled \$27,312 and \$33,482 for the years ended September 30, 2019 and 2018, respectively.

Deferred revenue

Deferred revenue is related to advance payments on grants or advance billings relative to anticipated expenses or events in future periods. The revenue is realized when the expenses are incurred or as services are provided in the period earned.

Net assets

The Organization is required to report information regarding its financial position and activity according to two classes of net assets: without donor restrictions and with donor restrictions.

Net assets without donor restrictions – consist of unrestricted amounts that are available for use in carrying out the mission of the Organization.

Net assets with donor restrictions – consist of those amounts that are donor restricted for a specific purpose. When a donor restriction expires, either by the passage of a stipulated time restriction or by the accomplishment of a specific purpose restriction, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. The Organization has elected, however, to show those restricted contributions whose restrictions are met in the same reporting period as they are received as unrestricted support. The Organization had no net assets with donor restrictions at September 30, 2019 and 2018.

Income taxes

The Organization and the ACO are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and are not classified as private foundations. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. The Organization had no unrelated business income activity subject to taxation for the year ended September 30, 2019.

The Organization had adopted the provisions of FASB ASC 740-10. FASB ASC 740-10 prescribes a recognition threshold and measurement attributable for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return, and provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. Based on management's evaluation, management has concluded that there were no significant uncertain tax positions requiring recognition in the financial statements at September 30, 2019.

Note 1. Nature of Activities and Summary of Significant Accounting Policies (Continued)

Although the Organization is not currently the subject of a tax examination by the Internal Revenue Service or the State of New Hampshire, the Organization's tax years ended September 30, 2016 through September 30, 2019 are open to examination by the taxing authorities under the applicable statute of limitations.

Functional expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the Statement of Activities. Expenses are charged to programs based on direct expenses incurred and certain costs, including salaries and fringe benefits, are allocated to the programs and supporting services based upon related utilization and benefit.

Change in accounting principle

The Organization adopted the provisions of ASU No. 2016-14, *Not-For-Profit Entities: Presentation of Financial Statements of Not-For-Profit Entities* during fiscal year 2019. The ASU was issued to improve reporting by not-for-profit entities in the areas of net asset classifications and information provided about liquidity. Upon adoption of this standard the Organization has disclosed classifications of net assets in Note 1, and disclosed information about liquidity and availability in Note 8 of the financial statements. There is no effect on the change in net assets for the 2019 and 2018 fiscal years.

Implementation of new accounting pronouncements

Management is reviewing the following Accounting Standards Updates (ASU) issued by the Financial Accounting Standards Board, which are effective for future years, for possible implementation and to determine their effect on the Organization's financial reporting.

ASU No. 2015-14, *Revenue from Contracts with Customers*. This ASU includes new revenue measurement and recognition guidance, as well as required additional disclosures. The ASU is effective for annual reporting beginning after December 15, 2018, and interim reporting periods within annual reporting beginning after December 15, 2019. The effect of this ASU has not been quantified.

ASU No. 2016-02, *Leases (Topic 842)*. This ASU requires lessees to recognize the following for all leases (with the exception of short-term leases) at the commencement date; (1) a lease liability, which is the lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and (2) a right-of-use asset which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. For short-term leases (term of twelve months or less), a lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and lease liabilities. If a lessee makes the election, it should recognize lease expense for such leases generally on a straight-line basis over the lease term. The ASU is effective for annual periods, and interim reporting periods within those annual periods, beginning after December 15, 2019. The effect of this ASU has not been quantified.

ASU No. 2016-18, *Statement of Cash Flows: Restricted Cash*. This ASU clarifies how to report restricted cash in the statement of cash flows. This ASU is effective for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. This ASU will have minimal effect on the Organization's financial statements.

Note 2. Cash Concentrations

The Organization maintains cash balances at two financial institutions. Their bank accounts at the institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per financial institution. Cash balances at the institutions did not exceed federally insured limits as of September 30, 2019, but may have exceeded the limits during the year. Management believes the Organization is not exposed to any significant credit risk on cash as of September 30, 2019.

The Organization manages credit risk relative to cash concentrations by utilizing “sweep” accounts. The Organization maintains ICS Sweep accounts that invest cash balances in other financial institutions at amounts that do not exceed FDIC insurable limits. All cash at these institutions is held in interest-bearing money market accounts. Interest rates on these balances ranged from .10% to .15% as of September 30, 2019.

Note 3. Operating Leases

The Organization leases office space in Littleton, NH under a three year operating lease that expires in October 2020. The Organization has the option to renew the lease for two additional years.

The Organization operates the Friendship House, an outpatient drug and alcohol treatment facility and program. The Organization leases the premises under a five-year operating lease that expires March 2023, with monthly rent and CAM fee payments of \$19,582. The CAM fee portion is to be adjusted annually.

The Organization leases satellite offices in Lebanon, NH, Berlin, NH, Tamworth, NH, Woodsville, NH, and Conway, NH under month-to-month operating lease agreements.

In addition, the Organization leases various copiers with lease terms ranging from thirty-six months to sixty months, expiring on various dates through March 2023.

Future minimum rental payments under lease commitments are as follows:

Year Ended September 30,	
2020	\$ 341,896
2021	243,916
2022	234,985
2023	117,492
Thereafter	-
	<u>\$ 938,289</u>

Lease expense for the aforementioned leases was \$323,073 and \$132,746 for the years ended September 30, 2019 and 2018, respectively.

Note 4. Deferred Revenue

The summary of the components of deferred revenue as of September 30, are as follows:

	2019	2018
Deferred Revenue- IDN	\$ 2,992,839	\$ 2,387,744
Deferred Revenue- Other	<u>257,000</u>	<u>266,676</u>
Total	<u>\$ 3,249,839</u>	<u>\$ 2,654,420</u>

Deferred revenue - IDN

Under the terms of an agreement between the Centers for Medicare and Medicaid Services (CMS) and the State of New Hampshire Department of Health and Human Services, various Integrated Delivery Networks (IDN) are to be established within geographic regions across the state to develop programs to transform New Hampshire's behavioral health delivery system by strengthening community-based mental health and substance use disorder services and programs to combat the opioid crisis. The Organization has been designated to be the administrative lead of one of these IDNs.

In September 2016, the Organization was awarded a five-year demonstration project from the CMS, passed through the State of New Hampshire Department of Health and Human Services. At that date, the Organization was advanced \$2,413,256 upon fulfillment of the condition of successful submission and state approval of an IDN Project Plan. Of that amount, \$2,000,000 will be retained by the Organization as administrative fees for five years and the remaining funds will be disbursed to participants. For years two through five, the IDNs will continue to earn performance-based incentive funding by achieving defined targets and any funds received will be passed through to the participants.

Note 5. Line of Credit

The Organization entered into a line of credit agreement with a local bank. The Organization has \$500,000 of available borrowing capacity under this line of credit. The line of credit bears interest at the Wall Street Journal Prime Rate plus .50% and is secured by all assets of the Organization. The line of credit is due on demand and matures February 2020.

Note 6. Related Party Transactions

A majority of the Organization's members and the Organization are also members of a Limited Liability Company. There were no transactions between the Limited Liability Company and the Organization's members in 2019 and 2018.

The Organization contracts various services from other organizations of which members of management of these other organizations may also be board members of North Country Health Consortium, Inc. and Subsidiary. Amounts paid to these organizations were \$279,120 and \$898,736 for the years ended September 30, 2019 and 2018, respectively. Outstanding amounts due to these organizations as of September 30, 2019 and 2018 amounted to \$200 and \$33,214, respectively. Outstanding amounts due from these organizations as of September 30, 2019 and 2018 amounted to \$1,000 and \$5,210, respectively.

Note 7. Retirement Plan

The Organization offers a defined contribution savings and investment plan (the Plan) under section 403(b) of the Internal Revenue Code. The Plan is available to all employees who are 21 years of age or older. There is no service requirement to participate in the Plan. Employee contributions are permitted and are subject to IRS limitations. Monthly employer contributions are \$50 for each part-time employee and \$100 for each full-time employee. Employer contributions for the years ended September 30, 2019 and 2018 were \$77,366 and \$61,990, respectively.

Note 8. Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise of the following:

Cash and cash equivalent	\$	547,618
Accounts receivable, net		
Grants and contracts		1,018,776
Certificates of deposit		126,701
	\$	<u>1,693,095</u>

In addition to financial assets available to meet general expenditures over the next 12 months, the Organization operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures. In the event of further liquidity needs, the Organization could draw upon \$500,000 of an available line of credit as described in Note 5.

Note 9. Commitment and Contingencies

The Organization receives a significant portion of its support from various funding sources. Expenditure of these funds requires compliance with terms and conditions specified in the related contracts and agreements. These expenditures are subject to audit by the contracting agencies. Any disallowed expenditures would become a liability of the Organization requiring repayment to the funding sources. Liabilities resulting from these audits, if any, will be recorded in the period in which the liability is ascertained. Management estimates that any potential liability related to such audits will be immaterial.

Note 10. Federal Reports

Additional reports, required by *Government Auditing Standards* and Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, including the Schedule of Expenditures of Federal Awards, are included in the supplements to this report.

Note 11. Reclassifications

Certain reclassifications have been made to the financial statements for the year ended September 30, 2018 to conform with the current year presentation.

Note 12. Subsequent Events

The Organization has evaluated subsequent events through **March 26, 2019**, the date the financial statements were available to be issued.

**NORTH COUNTRY HEALTH
CONSORTIUM, INC. AND SUBSIDIARY**

ADDITIONAL REQUIRED REPORTS

September 30, 2019

DRAFT

NORTH COUNTRY HEALTH CONSORTIUM, INC. AND SUBSIDIARY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

Federal Grantor/Pass through Grantor/Program Title	Federal CFDA Number	Grant No.	Pass-through Grantor's Subgrant No.	Federal Expenditures
U.S Department of Health and Human Services				
<i>Direct Programs:</i>				
Network Development	93.912	D06RH28031		\$ 426,829
Rural Health Care Services Outreach Program (Opioid)	93.912	D04RH31641		185,022
Rural Health Opioid Program	93.912	H1URH32387		157,548
Rural Communities Opioid Response Implementation	93.912	GA1RH33527		5,367
				<u>774,766</u>
Rural Communities Opioid Response (Planning)	93.211	G25RH32457		200,000
Drug-Free Communities (SAMHSA)	93.276	1H79SP021539-01		129,144
<i>Total direct programs:</i>				<u>1,103,910</u>
<i>Passed through the State of New Hampshire:</i>				
Public Health Emergency Preparedness	93.074		U90TP000535	50,487
Disaster Behavioral Health Response Teams	93.074		U90TP000535	3,613
Hep A Vaccination	93.074		U90TP000535	8,228
Lead	93.074		U90TP000536	1,877
MRC	93.074		U90TP000536	2,160
				<u>66,365</u>
SAP	93.243		SP020796	212,061
Young Adult Strategies	93.243		SP020796	84,044
Young Adult Leadership	93.243		SP020796	5,833
				<u>301,938</u>
School-Based Immunization	93.268		H23IP00757	10,103
Continuum of Care	93.959		TI010035-14	34,813
Continuum of Care	93.959		TI010035	12,069
Substance Misuse Prevention	93.959		TI010035-14	60,300
Substance Misuse Prevention	93.959		TI010035	18,829
Student Assistance Program Federal Block Grant	93.959		TI010035	96,238
Public Health Advisory Council	93.959		TI010035	1,370
Substance Use Disorder (Friendship House)	93.959		TI010035-14	107,410
Substance Use Disorder (Friendship House)	93.959		TI010035	36,190
				<u>367,219</u>
Substance Use Disorder (Friendship House - SOR)	93.788		H79T10S16W	206,100
Substance Use Disorder (Friendship House - SOR)	93.788		H79T1081685	68,700
				<u>274,800</u>
Community Health Workers	93.757		NU58DP004821	31,807
Public Health Advisor Council	93.758		B010T00937	12,306
Public Health Advisory Council	93.991		NB10T009205-01-01	2,077
<i>Total passed through the State of New Hampshire:</i>				<u>1,066,615</u>
<i>Passed through the University of Dartmouth Area Health Education Center:</i>				
AHEC Supplement	93.107		U77HP03627-15-01	18,916
Area Health Education Centers	93.107		U77HP03627-09-01	83,379
				<u>102,295</u>
<i>Passed through the University of New Hampshire:</i>				
Practice Transformation Network	93.638		Agreement #16-039	437,995
Total Expenditures of Federal Awards				<u>\$ 2,710,815</u>

See accompanying notes to schedule of expenditures of federal awards.

**NORTH COUNTRY HEALTH CONSORTIUM, INC.
AND SUBSIDIARY**

**Notes to Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2019**

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of North Country Health Consortium, Inc. and Subsidiary (the Organization) under programs of the federal government for the year ended September 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

Note 2. Summary of Significant Accounting Policies

- (1) 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 whereby certain types of expenditures are not allowable or are limited as to reimbursement.
- (2) Pass-through entity identifying numbers are presented where available.
- (3) The Organization did not elect to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

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

To the Board of Directors of
North Country Health Consortium, Inc. and Subsidiary
Littleton, New Hampshire

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of North Country Health Consortium, Inc. and Subsidiary (the Organization) (a New Hampshire nonprofit organization), which comprise the consolidated statements of financial position as of September 30, 2019, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated **March 26, 2019**.

Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered North Country Health Consortium, Inc. and Subsidiary’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of North Country Health Consortium, Inc. and Subsidiary’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 may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether North Country Health Consortium, Inc. and Subsidiary's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

St. Albans, Vermont

March 26, 2019

VT Reg. No. 92-0000102

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

To the Board of Directors of
North Country Health Consortium, Inc. and Subsidiary
Littleton, New Hampshire

Report on Compliance for Each Major Federal Program

We have audited North Country Health Consortium, Inc. and Subsidiary's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of North Country Health Consortium, Inc. and Subsidiary's major federal programs for the year ended September 30, 2019. North Country Health Consortium, Inc. and Subsidiary'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 each of North Country Health Consortium, Inc. and Subsidiary's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about North Country Health Consortium, Inc. and Subsidiary's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of North Country Health Consortium, Inc. and Subsidiary's compliance.

Opinion on Each Major Federal Program

In our opinion, North Country Health Consortium, Inc. and Subsidiary complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2019.

Report on Internal Control Over Compliance

Management of North Country Health Consortium, Inc. and Subsidiary 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 North Country Health Consortium, Inc. and Subsidiary's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of North Country Health Consortium, Inc. and Subsidiary's internal control over compliance.

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

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

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

St. Albans, Vermont

March 26, 2019

VT Reg. No. 92-0000102

**NORTH COUNTRY HEALTH CONSORTIUM, INC.
AND SUBSIDIARY**

**Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2019**

A. SUMMARY OF AUDITOR'S RESULTS

1. The independent auditor's report expresses an unmodified opinion on whether the consolidated financial statements of North Country Health Consortium, Inc. and Subsidiary were prepared in accordance with GAAP.
2. No material weakness or significant deficiencies relating to the audit of the consolidated financial statements of North Country Health Consortium, Inc. and Subsidiary are reported in the Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Governmental Auditing Standards*.
3. No instances of noncompliance material to the consolidated financial statements of North Country Health Consortium, Inc. and Subsidiary, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No material weakness or significant deficiencies relating to internal control over compliance for major federal award programs are reported in the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance.
5. The auditor's report on compliance for the major federal award programs for North Country Health Consortium, Inc. and Subsidiary expresses an unmodified opinion on the major federal program.
6. There were no audit findings that are required to be reported in this schedule in accordance with 2 CFR Section 200.516(a).
7. The program tested as a major program was U.S. Department of Health and Human Services – Rural Health Care Services: Network Development, Rural Healthcare Services Outreach Program(opioid), Rural Health Opioid Program and Rural Communities Opioid Response Implementation (CFDA Number 93.912).
8. The threshold for distinguishing Types A and B programs was \$750,000.
9. North Country Health Consortium, Inc. and Subsidiary was determined to be a low-risk auditee.

B. FINDINGS – FINANCIAL STATEMENT AUDIT

There were no reported findings related to the audit of the consolidated financial statements for the year ended September 30, 2019.

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAM AUDIT

There were no reported findings related to the audit of the federal program for the year ended September 30, 2019.

**NORTH COUNTRY HEALTH CONSORTIUM, INC.
AND SUBSIDIARY**

**Summary Schedule of Prior Audit Findings
For the Year Ended September 30, 2019**

2018 and 2017 – AUDITs OF MAJOR FEDERAL AWARD PROGRAMS

2018: There were no reported findings related to the audit of the major federal program for the year ended September 30, 2018.

2017: There were no reported findings related to the audit of the major federal program for the year ended September 30, 2017.

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