

A.M. PEISCH & COMPANY, LLP

SINCE 1920

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

CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2015 AND 2014

AMP
SINCE 1920

A.M. PEISCH & COMPANY, LLP

CERTIFIED PUBLIC ACCOUNTANTS
& BUSINESS CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of North Country Health Consortium, Inc. (a nonprofit organization) and Subsidiary, which comprise the consolidated statements of financial position as of September 30, 2015 and 2014, and the related consolidated statements of activities and changes in net assets, functional expenses, 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 consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

- 1 -

401 Water Tower Circle Suite 302 Colchester, VT 05446 (802) 654-7255	27 Center Street P. O. Box 326 Rutland, VT 05702 (802) 773-2721	181 North Main Street St. Albans, VT 05478 (802) 527-0505	1020 Memorial Drive St. Johnsbury, VT 05819 (802) 748-5654	57 Farmvu Drive White River Jct., VT 05001 (802) 295-9349
---	--	---	--	---

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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of North Country Health Consortium, Inc. and Subsidiary as of September 30, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*, is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 12, 2016 on our consideration of North Country Health Consortium, Inc. and Subsidiary'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 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 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 North Country Health Consortium, Inc. and Subsidiary's internal control over financial reporting and compliance.

A.M. Peisch and Company, LLP

St. Johnsbury, Vermont
February 12, 2016
VT Reg. No. 92-0000102

NORTH COUNTRY HEALTH CONSORTIUM, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2015 AND 2014

ASSETS	2015	2014
Current Assets		
Cash and cash equivalents	\$ 912,270	\$ 835,671
Accounts receivable, net:		
Grants and contracts	188,257	155,441
Dental services	4,016	749
Certificates of deposit	124,509	87,420
Prepaid expenses	21,676	12,245
Restricted cash - ACO	76,701	199,144
Total Current Assets	1,327,429	1,290,670
Property and Equipment:		
Computers and equipment	72,057	61,777
Dental equipment	71,332	64,638
Furnitures and fixtures	32,257	32,257
Vehicles	18,677	18,677
Accumulated depreciation	(141,048)	(123,965)
Property and equipment, net	53,275	53,384
Total Assets	\$ 1,380,704	\$ 1,344,054
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 25,646	\$ 19,061
Accrued expenses	11,643	26,886
Accrued wages and related liabilities	71,980	71,098
Deferred revenue	212,362	232,862
Deferred revenue - ACO	74,810	199,144
Total Current Liabilities	396,441	549,051
Total Liabilities	396,441	549,051
NET ASSETS		
Unrestricted	984,263	795,003
Total Net Assets	984,263	795,003
Total Liabilities and Net Assets	\$ 1,380,704	\$ 1,344,054

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, 2015 AND 2014

	2015	2014
Support:		
Grant and contract revenue	<u>\$ 1,620,106</u>	<u>\$ 1,604,842</u>
Revenue:		
Dental patient revenue	136,687	104,353
Fees for programs and services	232,483	224,760
Interest income	2,683	15,662
Other income	1,164	7,360
Gain (loss) on sale of property and equipment	-	(1,500)
Donated services	9,113	-
Donated assets	-	9,000
Total Revenue	<u>382,130</u>	<u>359,635</u>
Total Support and Revenue	<u>2,002,236</u>	<u>1,964,477</u>
Program Expenses:		
Workforce	519,117	311,601
Public health	164,287	171,118
Molar	412,339	508,603
CSAP	429,079	456,306
North Country ACO	111,534	154,431
Total Program Expenses	<u>1,636,356</u>	<u>1,602,059</u>
Management and General	<u>176,620</u>	<u>210,376</u>
Total Expenses	<u>1,812,976</u>	<u>1,812,435</u>
Change in net assets	189,260	152,042
NET ASSETS, beginning of the year	<u>795,003</u>	<u>642,961</u>
NET ASSETS, end of year	<u>\$ 984,263</u>	<u>\$ 795,003</u>

See accompanying notes.

NORTH COUNTRY HEALTH CONSORTIUM, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Workforce	Public Health	Molar	CSAP	North Country ACO	Total Program	Management & General	Total
Personnel:								
Salaries	\$ 247,263	\$ 70,370	\$ 216,451	\$ 170,561	\$ 56,894	\$ 761,539	\$ 72,486	\$ 834,025
Payroll taxes and employee benefits	42,099	11,979	39,915	31,616	10,651	136,260	18,610	154,870
Subtotal	<u>289,362</u>	<u>82,349</u>	<u>256,366</u>	<u>202,177</u>	<u>67,545</u>	<u>897,799</u>	<u>91,096</u>	<u>988,895</u>
Site Expenses:								
Computer supplies	11,553	1,498	6,721	4,253	1,412	25,437	2,131	27,568
Medical and pharmacy supplies	113,154	62,978	93,404	117,137	30	386,703	5,118	391,821
Office supplies	7,583	3,837	2,269	11,094	340	25,123	3,986	29,109
Subtotal	<u>132,290</u>	<u>68,313</u>	<u>102,394</u>	<u>132,484</u>	<u>1,782</u>	<u>437,263</u>	<u>11,235</u>	<u>448,498</u>
General:								
Bad debts	-	-	4,551	-	-	4,551	-	4,551
Depreciation	-	-	7,985	-	-	7,985	9,099	17,084
Dues and memberships	1,644	-	250	350	102	2,346	6,890	9,236
Education and training	339	9	65	14,161	3	14,577	7,073	21,650
Equipment and maintenance	3,996	130	881	-	-	5,007	222	5,229
Rent and occupancy	17,328	4,827	16,048	13,012	4,125	55,340	6,962	62,302
Insurance	1,275	822	1,770	935	268	5,070	3,748	8,818
Miscellaneous	10,282	-	311	350	-	10,943	757	11,700
Data collection contract	-	-	-	-	21,953	21,953	-	21,953
Payroll processing fees	-	-	-	25	-	25	3,618	3,643
Postage	443	130	633	370	153	1,729	529	2,258
Printing	3,900	1,229	2,396	1,275	333	9,133	1,257	10,390
Professional fees	4,972	1,486	7,783	4,639	13,260	32,140	21,409	53,549
Training fees and supplies	38,214	1,885	41	43,507	1	83,648	3,539	87,187
Travel	14,208	2,071	5,046	14,293	1,842	37,460	7,857	45,317
Telephone	864	1,036	2,003	1,501	167	5,571	1,329	6,900
Vehicle expense	-	-	3,816	-	-	3,816	-	3,816
Subtotal	<u>97,465</u>	<u>13,625</u>	<u>53,579</u>	<u>94,418</u>	<u>42,207</u>	<u>301,294</u>	<u>74,289</u>	<u>375,583</u>
Total expenses	\$ <u>519,117</u>	\$ <u>164,287</u>	\$ <u>412,339</u>	\$ <u>429,079</u>	\$ <u>111,534</u>	\$ <u>1,636,356</u>	\$ <u>176,620</u>	\$ <u>1,812,976</u>

See accompanying notes.

NORTH COUNTRY HEALTH CONSORTIUM, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Workforce	Public Health	Molar	CSAP	North Country ACO	Total Program	Management & General	Total
Personnel:								
Salaries	\$ 166,830	\$ 63,238	\$ 221,184	\$ 166,227	\$ 84,411	\$ 701,890	107,165	\$ 809,055
Payroll taxes and employee benefits	30,591	14,514	44,790	33,293	19,134	142,322	21,238	163,560
Subtotal	197,421	77,752	265,974	199,520	103,545	844,212	128,403	972,615
Site Expenses:								
Computer supplies	3,572	1,917	7,304	4,185	2,642	19,620	3,131	22,751
Medical and pharmacy supplies	54,814	69,406	182,257	104,667	82	411,226	552	411,778
Office supplies	12,033	5,605	5,751	20,072	1,285	44,746	4,452	49,198
Subtotal	70,419	76,928	195,312	128,924	4,009	475,592	8,135	483,727
General:								
Bad debt (recovery)	-	-	(3,365)	-	-	(3,365)	(1,695)	(5,060)
Depreciation	-	-	4,650	-	-	4,650	11,615	16,265
Dues and memberships	310	-	235	-	23	568	6,860	7,428
Education and training	3,658	105	2,731	1,481	1,485	9,460	5,654	15,114
Denial Equipment	-	-	1,199	-	-	1,199	1,192	2,391
Equipment	-	-	670	50	-	720	195	915
Rent, housing, and occupancy	9,356	3,945	13,237	9,535	4,695	40,768	18,904	59,672
Insurance	581	760	1,291	698	405	3,735	3,936	7,671
Miscellaneous	8,978	-	2,439	6,960	26,662	45,039	1,085	46,124
Data collection contract	-	-	-	-	-	-	-	-
Payroll processing fees	-	-	-	-	-	-	3,788	3,788
Postage	374	207	812	441	302	2,136	486	2,622
Printing	1,392	771	3,609	1,062	663	7,497	1,188	8,685
Professional fees	3,504	2,051	5,560	5,598	4,039	20,752	12,895	33,647
Training fees and supplies	6,438	290	752	79,769	-	87,249	3,079	90,328
Travel	8,594	7,243	6,325	20,871	8,222	51,255	4,125	55,380
Telephone	576	1,066	2,929	1,397	381	6,349	531	6,880
Vehicle expense	-	-	4,243	-	-	4,243	-	4,243
Subtotal	43,761	16,438	47,317	127,862	46,877	282,255	73,838	356,093
Total expenses	\$ 311,601	\$ 171,118	\$ 508,603	\$ 456,306	\$ 154,431	\$ 1,602,059	\$ 210,376	\$ 1,812,435

See accompanying notes.

NORTH COUNTRY HEALTH CONSORTIUM, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 189,260	\$ 152,042
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	17,084	16,265
Bad debt expense (recovery)	4,551	(5,060)
(Gain)/loss on sale of property and equipment	-	1,500
(Increase) decrease in operating assets:		
Accounts receivable - Grants and contracts	(32,816)	10,906
Accounts receivable - Dental services	(7,818)	7,137
Prepaid expenses	(9,431)	(4,253)
Restricted cash - ACO	122,443	55,640
Increase (decrease) in operating liabilities:		
Accounts payable	6,585	(24,187)
Accrued expenses	(15,243)	23,540
Accrued wages	882	15,989
Cash in trust - ACO	-	(120,931)
Deferred revenue	(20,500)	33,245
Deferred revenue - ACO	(124,334)	65,291
Net cash provided by operating activities	130,663	227,124
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of certificates of deposit	(61,497)	(26,391)
Maturities of certificates of deposit	24,408	24,307
Purchases of property and equipment	(16,975)	(26,235)
Proceeds from sale of property and equipment	-	1,281
Net cash used by investing activities	(54,064)	(27,038)
Net increase in cash and cash equivalents	76,599	200,086
Beginning cash and cash equivalents	835,671	635,585
Ending cash and cash equivalents	\$ 912,270	\$ 835,671

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. North Country ACO members participate in the Medicare Shared Savings Program to pay for services to Medicare beneficiaries. North Country ACO performs administration and manages the distribution of funds to participants using a patient based model. Medicare payments ceased as of June 30, 2014, and the Board elected to redirect the remaining funds to support the core operations of the ACO through December 31, 2015. After this date, the Entity will be inactive.

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.

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

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 significant inter-company transactions and balances have been eliminated in consolidation.

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

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 and 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.

Agency transactions

North Country ACO receives funding from Medicare that is collected and subsequently disbursed to member health centers. There were no such transactions for the year ended September 30, 2015.

For the first nine months of the year ended September 30, 2014, Medicare provided funds of \$5.13 per month per qualifying patient for each member health center. Funding expired as of June 30, 2014. Amounts received aggregated \$268,386 as of September 30, 2014.

For the year ended September 30, 2014, \$6 per month per qualifying patient was disbursed to the member health care centers through June 30, 2014 for a total disbursement of \$309,528. The difference between what was paid to the centers and what was received came out of deferred revenue. The payment of \$309,528 and the related cash receipts are classified as agency transactions as they arose from the collection of cash for the benefit of another party and, therefore, are not recorded as revenue or expenses on the Organization's books.

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

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.

Restricted cash - ACO

Restricted cash – ACO consists of advanced funding received from Medicare to be used for the development of systems to improve care coordination, technical improvements, data collection coordination, and promote cost saving. For the years ending September 30, 2015 and 2014, these amounts were \$74,810 and \$199,144, respectively.

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 circumstance 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 dental service of \$8,752 and \$4,200 as of September 30, 2015 and 2014, and an allowance for doubtful accounts for grants and contracts of \$0 as of September 30, 2015 and 2014. 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 with two financial institutions. These certificates carry original terms of 12 months to 24 months, have interest rates ranging from 0.25% to .45%, and mature at various dates through September 2016. All certificates are fully insured by the FDIC.

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 amounts over \$2,500. Lesser amounts are generally expensed. Purchased property and equipment is capitalized at cost.

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 \$17,084 and \$16,265 for the years ended September 30, 2015 and 2014, respectively.

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

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.

Deferred revenue – ACO

Deferred revenue – ACO consists of monies received from Medicare that are applicable to initial funding that are to be used for the purpose of the ACO infrastructure and administration. Revenue is to be recognized as qualified costs are incurred.

Net assets

The Organization is required to report information regarding its financial position and activity according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted net assets – consist of unrestricted amounts that are available for use in carrying out the mission of the Organization.

Temporarily restricted net assets – 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 temporarily restricted net assets at September 30, 2015 and 2014.

Permanently restricted net assets – result from contributions from donors who place restrictions on the use of donated funds mandating that the original principal remain invested in perpetuity. The Organization had no permanently restricted net assets at September 30, 2015 and 2014.

Income taxes

The Organization and the ACO are exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and are not classified as private foundations. 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. The Organization is not aware of any such uncertain tax positions. The tax years ending September 30, 2012 through 2015 are still open to audit.

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.

Note 2. Cash Concentrations

The Organization maintains bank account balances which, at times, may exceed federally insured limits. The Organization has not experienced any losses with these accounts, and management believes the Organization is not exposed to significant credit risk on cash as of September 30, 2015 and 2014.

The Organization attempts to manage 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 were .05% as of September 30, 2015.

Note 3. Donated Services

For the year ending September 30, 2015, the subsidiary recorded contribution revenue totaling \$9,113 as a result of donated legal services. The contribution revenue was recorded at fair market value.

Note 4. Operating Leases

The Organization leases office space in Littleton, NH under a three year operating lease that expires in April 2017. The Organization has the option to renew the lease for two additional years.

Future minimum rental payments under lease commitments are as follows:

Year Ended September 30,

2016	\$	57,663
2017		34,218
Thereafter		<u>-</u>
	\$	<u>91,881</u>

Lease expense for the aforementioned leases was \$60,777 and \$57,534 for the years ended September 30, 2015 and 2014, respectively.

Note 5. 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 2015 and 2014.

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 \$144,561 and \$214,401 for the years ended September 30, 2015 and 2014, respectively. Outstanding amounts due to these organizations as of September 30, 2015 and 2014 amounted to \$3,200 and \$0, respectively. Outstanding amounts due from these organizations as of September 30, 2015 and 2014 amounted to \$5,844 and \$8,160, respectively.

Note 6. 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, 2015 and 2014 were \$14,570 and \$16,436, respectively.

Note 7. 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.

Note 8. Federal Reports

Additional reports, required by *Government Auditing Standards* and the OMB Circular A-133, including the Schedule of Expenditures of Federal Awards, are included in the supplements to this report.

Note 9. Subsequent Events

The Organization did not submit an application to reapply to the Medicare Shared Savings Program, which expired December 30, 2015. As a result, North Country ACO was issued a status of non-renewal, and its participation agreement with the Shared Savings Program was terminated. As of December 31, 2015, substantially all funds were distributed to participants. A nominal cash balance remained to fund closing activities and completion of the required notifications to participants. After these activities have been completed, it is the intent of the Organization to dissolve North Country ACO.

The Organization has evaluated subsequent events through February 12, 2016, the date the financial statements were available to be issued.

A.M. PEISCH & COMPANY, LLP

SINCE 1920

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

ADDITIONAL REQUIRED REPORTS

SEPTEMBER 30, 2015

AMP
SINCE 1920

NORTH COUNTRY HEALTH CONSORTIUM, INC. AND SUBSIDIARY

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2015**

Federal Grantor/Pass through Grantor/Program Title	Federal CFDA Number	Pass-through Grantor's Subgrant No.	Federal Expenditures
U.S Department of Health and Human Services			
<i>Direct Programs:</i>			
Rural Health Care Services Outreach Program	93.912		\$ 189,692
Quality Improvement	93.912		149,294
Network Development	93.912		<u>160,008</u>
			498,994
Health Careers Opportunity	93.329		<u>97,457</u>
<i>Total direct programs:</i>			<u>596,451</u>
<i>Passed through the State of New Hampshire:</i>			
Substance Misuse Prevention	93.959	TI010035-14	64,832
Public Health Advisory Council	93.959	TI010035-14	<u>14,967</u>
			79,799
School-Based Immunization	93.268	H23IP000757	6,696
School-Based Immunization	93.268	H23IP000757	<u>1,872</u>
			8,568
Public Health Emergency Preparedness	93.069	U90TP000535	<u>96,772</u>
Public Health Emergency Preparedness	93.074	U90TP000535	<u>26,650</u>
NH Strategic Prevention Framework Partnership for Success II	93.243	3U79SP019425	<u>224,387</u>
Public Health Advisory Council	93.758	B01OT00937	<u>9,972</u>
Hypertension	93.757	U58DP004821	<u>40,325</u>
<i>Total pass through State of New Hampshire:</i>			<u>486,473</u>
<i>Passed through the University of Dartmouth Area Health Education Center:</i>			
Area Health Education Centers	93.107	U77HP03627	<u>72,563</u>
<i>Passed through Southern NH Area Health Education Center:</i>			
Chronic Disease Self Management Program	93.189	14AANHT3PH	<u>9,656</u>
<i>Passed through the National Association of County and City Health Officials:</i>			
Medical Reserve Corps	93.008	HITEP150026	<u>2,481</u>
<i>Passed through the New Hampshire Health Plan:</i>			
Marketplace	93.525	HBEIE130156	<u>110,383</u>
Total Expenditures of Federal Awards			\$ <u>1,278,007</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, 2015**

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, 2015. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. 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 Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) or OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, as is applicable, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(2) Pass-through entity identifying numbers are presented where available.

A.M. PEISCH & COMPANY, LLP

CERTIFIED PUBLIC ACCOUNTANTS
& BUSINESS CONSULTANTS

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 statement of financial position as of September 30, 2015, 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 February 12, 2016.

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 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.

- 16 -

401 Water Tower Circle Suite 302 Colchester, VT 05446 (802) 654-7255	27 Center Street P. O. Box 326 Rutland, VT 05702 (802) 773-2721	181 North Main Street St. Albans, VT 05478 (802) 527-0505	1020 Memorial Drive St. Johnsbury, VT 05819 (802) 748-5654	57 Farmvu Drive White River Jct., VT 05001 (802) 295-9349
---	--	---	--	---

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.

A.M. Peisch and Company, LLP

St. Johnsbury, Vermont
February 12, 2016
VT Reg. No. 92-0000102

A.M. PEISCH & COMPANY, LLP

CERTIFIED PUBLIC ACCOUNTANTS
& BUSINESS CONSULTANTS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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 Circular A-133 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, 2015. 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 the 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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.

- 18 -

401 Water Tower Circle Suite 302 Colchester, VT 05446 (802) 654-7255	27 Center Street P. O. Box 326 Rutland, VT 05702 (802) 773-2721	181 North Main Street St. Albans, VT 05478 (802) 527-0505	1020 Memorial Drive St. Johnsbury, VT 05819 (802) 748-5654	57 Farmvu Drive White River Jct., VT 05001 (802) 295-9349
---	--	---	--	---

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, 2015.

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 OMB Circular A-133, 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

A.M. Peisch and Company, LLP

St. Johnsbury, Vermont
February 12, 2016
VT Reg. No. 92-0000102

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

**Schedule of Findings and Questioned Costs
Year Ended September 30, 2015**

A. SUMMARY OF AUDITOR'S RESULTS

1. The independent auditor's report expresses an unmodified opinion on the consolidated financial statements of North Country Health Consortium, Inc. and Subsidiary.
2. No material weakness or significant deficiencies relating to the audit of the 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 OMB Circular A-133.
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 Section 510(a)(3) or (4) of OMB Circular A-133.
7. The program tested as a major program was U.S. Department of Health and Human Services – Rural Health Care Services, Quality Improvement, and Network Development (CFDA Number 93.912).
8. The threshold for distinguishing Types A and B programs was \$300,000.
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 financial statements for the year ended September 30, 2015.

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, 2015.

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

**Summary Schedule of Prior Audit Findings
Year Ended September 30, 2015**

**2014 and 2013 FINDINGS AND QUESTIONED COSTS – AUDIT OF MAJOR FEDERAL
AWARD PROGRAMS**

2014 Finding:

There were no reported findings related to the audit of the federal program for the year ended September 30, 2014.

2013 Finding:

There were no reported findings related to the audit of the federal program for the year ended September 30, 2013.