# Family Health Centers, Inc.
# A Component Unit of the Louisville Metro Board of Health

Independent Auditor's Reports and Financial Statements

December 31, 2019 and 2018

BKD LLP
CPAs & Advisors

# Family Health Centers, Inc.
# A Component Unit of the Louisville Metro Board of Health
## December 31, 2019 and 2018

## Contents

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# Independent Auditor's Report

Board of Governors
Family Health Centers, Inc.
A Component Unit of the
Louisville Metro Board of Health
Louisville, Kentucky

## Report on the Financial Statements

We have audited the accompanying financial statements of Family Health Centers, Inc. (Health Center), a component unit of the Louisville Metro Board of Health, as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the Health Center's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

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

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

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

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Health Center as of December 31, 2019 and 2018, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and pension and other postemployment benefits information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Health Center's basic financial statements. The schedule of expenditures of federal awards required by Title 2 U.S. *Code of Federal Regulations* Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

## Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 2, 2020, on our consideration of the Health Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Health Center's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Health Center's internal control over financial reporting and compliance.

BKD, LLP

Louisville, Kentucky
September 2, 2020

# Family Health Centers, Inc.
# A Component Unit of the Louisville Metro Board of Health
### Management's Discussion and Analysis
### Years Ended December 31, 2019 and 2018

## Introduction

This Management's Discussion and Analysis of the financial performance of Family Health Centers, Inc. (Health Center) provides an overview of the Health Center's financial activities for the 12-months ended December 31, 2019 and 2018, and for the 13-month period from December 1, 2016, through December 31, 2017. (The Health Center changed its fiscal year from 12-months ending November 30 to a Calendar Year ending December 31. The period ended December 31, 2017, marked the first financial reporting period adopting the new year-end date.) The MD&A should be read in conjunction with the accompanying financial statements of the Health Center.

The financial statements of the Health Center are prepared in accordance with the Governmental Accounting Standards Board (GASB) Statement of Accounting Standards No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.

## Financial Highlights

- The Health Center reported a decrease in total net position in fiscal year (FY) 2019 of ($4,183,439), compared to a decrease in FY 2018 of ($19,150,088), which includes the effect of GASB 75 adoption, and a decrease of ($5,303,919) in FY 2017. FY 2019 compared to FY 2018 evidenced an increase in total revenue of $5,072,889 or 13%, as well as an increase in total operating expenses of $990,860 or 2.2% resulting in an increase in the change in net position of FY 2019 compared to FY 2018 of $4,082,039 and a decrease of ($2,961,559) FY 2018 over FY 2017.
- In FY 2018, the Health Center adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75): GASB 75 replaces the requirements of GASB No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. In adopting this new standard, the Health Center recognized a net OPEB liability of $11,903,955, deferred outflows of resources of $2,922,401 and deferred inflows of resources of $2,399,246 as of December 31, 2018. A restatement to record the effects of the new reporting guidance caused a cumulative effect of change in accounting principle (decrease in beginning net position at January 1, 2018) by ($10,884,610). Any impact of this restatement is not reflected in the 2017 amounts included in this management's discussion and analysis.
- Highlights of FY 2019 revenues and expenses compared to FY 2018 are described below:

**Highlights of Revenues – FY 2019 Compared to FY 2018**

- Net patient service revenue of $28,675,499 increased by $2,415,550 or 9% from prior year net patient revenue of $26,259,949. The increase was primarily the result of the expansion of pharmacy services at the Health Center's Phoenix Health Care for the Homeless location, 340B contracted pharmacy services and Medicaid Prospective Payment System (PPS) rate adjustment increase. Pursuant to 907 KAR 1:055, Section 102(2)(c), the Health Center applied for an adjustment to the current (PPS) rate supported by a statutory/regulatory change due to significant growth in required employer contributions to the County Employee Retirement System (CERS).

The application was approved by the Department of Medicaid Services which yielded an ~9% increase in the PPS rate.

- There was a 2 percentage point increase in the Health Center's uninsured patient population in FY 2019, 24% compared to 22% in FY 2018. The Health Center realized a 4 percentage-point decrease in patients with Medicaid coverage in FY 2019 totaling 51% as compared to 55% in FY 2018.
- The Health Center provided charity care (sliding fee discounts) totaling approximately $14,437,006 over the previous three years. Charity care provided for the years ended December 31, 2019, 2018 and 2017, approximated $5,297,145, $4,852,025 and $4,287,836, respectively. Louisville Metro funding, Community Health Center federal funding and 340B Drug Discount Program help to subsidize charity care.
  - Louisville Metro funding for the three fiscal years ended June 30, 2019, 2018 and 2017, was flat with no change in authorized levels of approximately $786,000.
  - Community Health Center federal funding (including Health Care for the Homeless) for the years ended December 31, 2019, 2018 and 2017, approximated $7,060,000, $6,660,000 and $7,637,000, respectively.
- Total Medicaid fee-for-service (FFS) revenue, excluding supplemental WRAP for medical, behavioral health and dental service lines of $4,536,649 decreased by ($569,293) or (11%) from prior year revenue of $5,105,941 as a result of the decrease in Medicaid visits. Gross charges for 2019 increased $575,074 offset by an increase in adjustments of $231,075 which is commensurate with the year-over-year growth in total Fee For Service medical and dental encounters of 2%.
- Passport's supplemental premium revenue of $858,078 decreased by ($2,190,410) or (72%) from prior year revenue of $3,048,488. Passport supplemental premium revenue includes the following components: Enhanced Comprehensive Service Payment (CSP) per-member per-month (PMPM) premium for Passport members assigned to the Health Center and a PMPM payment for Patient Centered Medical Home (PCMH) certification. The decline in premium revenue is attributable to Passport recontracting with the Health Center, eliminating the supplemental payment effective Q2 of FY 2019.
- Total pharmacy revenue (included in net patient service revenue) of $11,349,168 increased $1,497,097 or 15% as a result of the Health Center's expansion of pharmacy services at Phoenix Health Care for the Homeless site and increase in prescriptions written and filled with 340B contract pharmacies, Walgreens and Kroger.
- Bad debt expense of $1,154,073 decreased ($200,048) or (15%). The year-over-year decline was a result of the one-time write down of receivables in FY 2018, attributable to the growth in uninsured patients and patients with commercial coverage having high deductible health plans seeking care at the Health Center and unable to afford their patient responsibility post contractual and sliding fee discount adjustments.

- Medicaid Supplemental WRAP of $7,923,376 increased $222,663 or 3% from prior-year revenue of $7,700,713, which is attributable to the aforementioned Medicaid Prospective Payment System rate adjustment increase offset by year-over-year decline in Medicaid encounters.
- Covered FQHC services rendered to Medicare program beneficiaries are paid in accordance with provisions of Medicare's Prospective Payment System (PPS) for FQHCs. The Health Center is reimbursed at the lesser of the Medicare PPS rate or the G-code fee. Medicare Part A, B and Advantage net patient service revenue of $1,510,430 decreased (10%) in FY 2019 over FY 2018. The decrease is attributable to a greater mix of patients enrolling in Medicare Advantage plans which yields a lower net reimbursement per encounter to the Health Center.
- Grant awards as evidenced by the schedule of expenditures of federal awards of $8,513,213 increased by $506,155 or 6% over prior-year grant awards of $8,007,058. Highlights of FY 2019 grant activity are as follows:
  - Federal Section 330 grant funds received (Community Health Center and Healthcare for the Homeless), totaling $7,060,695, increased by $400,904 or 6%. The increase was primarily attributable to an unobligated carryforward balance for previous-year grant awards for Substance Abuse – Mental Health and Quality Improvement approximating ($400,000). The Health Center received three new Federal grant awards in 2019. The first award was a Substance Abuse Disorder – Mental Health Expansion supplemental grant to improve and expand the delivery of substance-abuse services at the Health Center's existing facilities, with a focus on patients who have substance abuse/mental health conditions, while expanding services for patients who are suffering opioid addiction. The second award was a Quality Improvement grant supplement of $242,234 to fund quality improvement activities, including maintaining existing patient centered medical home recognition. The third award was an Integrated Behavioral Health Services grant to increase access to high quality integrated behavioral health services. The Health Center did not expend 100% of the FY 2019 new grant funds in the award year due to the timing of the awards and the corresponding operational ramp-up period.
- Investment income increased by $4,811,787 compared to the prior year. The increase was the result of investment earnings in the market during FY 2019, and gain on investment on HMO partnership. During 2019, Passport entered into an asset purchase agreement with Evolent Health which resulted in a payout to the respective HMO members, of which the Health Center received $1,397,006 for the year ended December 31, 2019. Additional payouts are scheduled to occur, but they are contingent on various events in the future. The Health Center's FY 2019 net gain on investments with Stock Yards Bank totaled $2,825,699 compared to net investment loss of ($589,082) in FY 2018. Stock Yards Bank managed the Health Center's primary investment portfolio during FY 2019 and FY 2018.

### *Highlight of Operating Expenses – FY 2019 Compared to FY 2018*

- Total FY 2019 operating expenses of $47,088,986 increased by $990,860 or 2% from FY 2018 expenses of $46,098,126. Labor costs (salary, benefits and contract labor) increased by $1,016,435 or 3%. All other nonlabor costs decreased by ($25,575) or (0.2%). The primary driver for the year-over-year increase in labor costs is the growth in benefits cost of $362,761 and pension expense of $763,962. The increase in benefits expense is due to the growth in utilization in the company's self-insured group medical plan. The growth in pension expense is a result of the 12% year-over-year increase in the employer contribution rate. In FY 2019 the Health Center recognized $6,072,058 in noncash pension and OPEB expense as compared to $6,024,151 in FY 2018 associated with the Health Center's proportionate share of the County Employee Retirement System (CERS) unfunded pension liability and OPEB liability required under GASB 68 and 75 standards. Please refer to Notes 10 and 11 for further guidance.
- Salaries decreased by ($110,445) or (1%) over the prior year. The salary decrease is attributable to reduction in FTE's and overtime expense, offset by a FY 2019 3% cost of living adjustment (COLA). Total FTE's for FY 2019 were 428 as compared to 431 in FY 2018.
- Pension and OPEB costs under the Kentucky Retirement System (KRS) increased by $763,962 or 8% as a result of the increase in the actuarially required contribution (ARC) rate and actuarial assumptions as determined by the state pension board which resulted in an increase in the plan's unfunded liability. The employer's rate for participation (ARC) in the KRS CERS plan increased from 21.48% to 24.06% effective July 1, 2019.
- Purchased services and professional fees cost decreased by ($115,238) or (2%) as a result of the decrease in outside reference lab utilization, computer software/support fees, equipment maintenance offset by an increase in the Health Center's outsourced revenue cycle management expenses.
- Supplies and other costs increased by $56,856 or 1% primarily as a result of an increase in office and computer supplies, minor equipment, offset by increased pharmaceuticals expense for both in-house and contracted 340B pharmacies. The growth in pharmaceuticals expense is commensurate with the growth in pharmacy revenue.
- Interpretative services costs, required under Title VI of the *Civil Rights Act*, for Limited English Proficiency (LEP) speaking patients increased by $1,271 or .1% in FY 2019 compared to FY 2018. 2019 LEP patients represent 27% of the total patient population of the Health Center versus 25% in 2018. Total cost of interpretative services was $1,194,581 and $1,193,310 in FY 2019 and FY 2018, respectively. The Health Center implemented centralized interpretative services via a call service at its Portland site location in order to increase efficiency and lower the costs of interpretative service per encounter.

- Depreciation and amortization costs increased by $32,807 or 2%. The FY 2019 versus FY 2018 increase is a result of the purchase of routine capitalized equipment during FY 2019.
- Cash, short-term investments and unrestricted noncurrent cash and investments increased in FY 2019 by $2,646,660 or 19%. The increase is primarily attributable to the investment gains in the Health Center's investment portfolio with SYB, gain on investment in HMO partnership offset by FY 2019 operating losses and purchase of capitalized equipment.
- Total capital expenditures in FY 2019 amounted to $619,630 funded from the Health Center's capital reserves. The increase in capital expenditures was primarily attributable to the following: 1) Phoenix Healthcare for the Homeless site secured pharmacy space and equipment, and 2) routine IS/IT computer and network-related equipment.

## Using This Annual Report

The Health Center's financial statements consist of three statements – a balance sheet, statement of revenues, expenses and changes in net position and statement of cash flows. These statements provide information about the activities of the Health Center, including resources held by the Health Center but restricted for specific purposes by creditors, contributors, grantors or enabling legislation. The Health Center is accounted for as a business-type activity and presents its financial statements using the economic resources measurement focus and the accrual basis of accounting.

## Balance Sheet and Statement of Revenues, Expenses and Changes in Net Position

One of the most important questions asked about any Health Center's finances is "Is the Health Center as a whole better or worse as a result of the year's activities?" The balance sheet and statement of revenues, expenses and changes in net position report information about the Health Center's resources and its activities in a way that helps answer this question. These statements include all restricted and unrestricted assets, deferred outflows of resources, all liabilities and deferred inflows of resources using the accrual basis of accounting. Using the accrual basis of accounting means all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the Health Center's net position and their changes. The Health Center's total net position—the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources—is one measure of the Health Center's financial health or financial position. Over time, increases or decreases in the Health Center's net position are an indicator of whether its financial health is improving or deteriorating. Other nonfinancial factors, such as changes in the Health Center's patient base, changes in legislation and regulations, measures of the quantity and quality of services provided to its patients and local economic factors should also be considered to assess the overall financial health of the Health Center.

### Statement of Cash Flows

The statement of cash flows reports cash receipts, cash payments and net changes in cash resulting from four defined types of activities. It provides answers to such questions as "Where did cash come from?", "What was cash used for?" and "What was the change in cash during the reporting period?"

### Net Position

The Health Center's net position is the difference between its assets, deferred outflows of resources, liabilities and deferred inflows of resources reported in the balance sheet. The Health Center's net position decreased by ($4,183,439) in FY 2019, decreased by ($8,265,478) in FY 2018 pre adoption of GASB 75, as evidenced in Table 2, and decreased by ($5,303,919) in FY 2017. Table 1 below shows a breakdown of assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position for the preceding three fiscal years.

### Table 1: Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position (Deficit)

| | 2019 | 2018 | 2017 |
|---|---|---|---|
| **Assets** | | | |
| Cash and short-term investments | $ 16,936,922 | $ 14,290,262 | $ 16,733,361 |
| Patient accounts receivable, net | 2,451,003 | 2,134,839 | 1,847,343 |
| Capital assets, net | 12,010,678 | 12,924,303 | 13,181,124 |
| Other current assets | 1,316,898 | 1,109,781 | 1,082,479 |
| Other noncurrent assets | 5,000,000 | 5,000,000 | 5,000,000 |
| Total assets | 37,715,501 | 35,459,185 | 37,844,307 |
| **Deferred Outflows of Resources – Pensions and OPEB** | 11,800,451 | 10,930,471 | 11,877,160 |
| Total assets and deferred outflows of resources | $ 49,515,952 | $ 46,389,656 | $ 49,721,467 |
| **Liabilities** | | | |
| Current liabilities | $ 4,647,519 | $ 4,279,822 | $ 4,272,197 |
| Noncurrent liabilities | 58,099,741 | 52,738,840 | 39,631,457 |
| Total liabilities | 62,747,260 | 57,018,662 | 43,903,654 |
| **Deferred Inflows of Resources – Pensions and OPEB** | 5,290,422 | 3,709,285 | 1,006,016 |
| **Net Position** | | | |
| Net investment in capital assets | 12,010,678 | 12,924,303 | 13,181,124 |
| Unrestricted deficit | (30,532,408) | (27,262,594) | (8,369,327) |
| Total net position (deficit) | (18,521,730) | (14,338,291) | 4,811,797 |
| Total liabilities, deferred inflows of resources and net position | $ 49,515,952 | $ 46,389,656 | $ 49,721,467 |

The Health Center's FY 2019 balance sheet has $16,936,922 in cash and short-term investments and $5,000,000 in unrestricted noncurrent cash and investments. FY 2019 cash and short-term investments increased from FY 2018 by $2,646,660 or 19%. The increase was primarily the result of gains in investments coupled with net cash used by operating activities and the purchase of capital equipment.

The Health Center's current liabilities increased by $367,697 or 9% over 2018, which is attributable to working capital timing differences. Noncurrent liabilities increased by $5,360,901 primarily as a result of the change in the net pension liability as evidenced in Note 10 (Pension Plan).

### Operating Results and Changes in the Health Center's Net Position

In FY 2019, the Health Center's net position decreased by ($4,183,439) as a result of an operating loss, partially offset by nonoperating revenues as shown in Table 2.

## Table 2: Operating Results and Changes in Net Position

| | 2019 | 2018 | 2017* |
|---|---|---|---|
| **Operating Revenues** | | | |
| Net patient service and premium revenue | $ 29,533,577 | $ 29,308,437 | $ 29,711,880 |
| Other | 8,357,737 | 8,136,087 | 9,551,049 |
| Total operating revenues | 37,891,314 | 37,444,524 | 39,262,929 |
| **Operating Expenses** | | | |
| Salaries and wages and employee benefits | 33,573,440 | 32,557,005 | 33,841,134 |
| Purchased services and professional fees | 7,279,083 | 7,394,321 | 7,498,208 |
| Supplies and other | 4,703,208 | 4,646,352 | 4,519,685 |
| Depreciation and amortization | 1,533,255 | 1,500,448 | 1,526,694 |
| Total operating expenses | 47,088,986 | 46,098,126 | 47,385,721 |
| **Operating Loss** | (9,197,672) | (8,653,602) | (8,122,792) |
| **Nonoperating Revenues** | | | |
| Investment income | 2,825,699 | (589,082) | 1,958,686 |
| Gain on investment in HMO Partnership | 1,397,006 | - | - |
| Government appropriations and Pfizer Sharing the Care Program | 791,528 | 789,856 | 860,187 |
| Total nonoperating revenues | 5,014,233 | 200,774 | 2,818,873 |
| **Deficiency of Revenues over Expenses Before Capital Gifts** | (4,183,439) | (8,452,828) | (5,303,919) |
| **Capital Gifts** | - | 187,350 | - |
| Change in net position | $ (4,183,439) | $ (8,265,478) | $ (5,303,919) |

*FY 2017 includes 13-month reporting

## Operating Loss

The first component of the overall change in the Health Center's net position is its operating income or (loss)—generally, the difference between net patient service and other operating revenues and the expenses incurred to perform those services. In FY 2019, the Health Center reported an operating loss of ($9,197,672), compared to operating loss of ($8,653,602) and operating loss of ($8,122,792) in FY 2018 and FY 2017, respectively.

It should be noted, the operating loss does not include revenue from noncapital appropriations from the Louisville Metro Government and other agencies, nor capital grants or investment income. The GASB Statement of Accounting Standard No. 34 requires noncapital appropriations from the Louisville Metro Government and other agencies and the *Affordable Care Act* capital grants be reported as nonoperating income, even though the expenses associated with these revenues are reported as operating expenses.

- The Health Center's increase in operating loss in FY 2019 of ($544,070) is primarily attributable to the increase in total operating revenues of $446,790, offset by the increase in operating expenses of $990,860, of which salaries and benefits expense increased $1,016,435. The primary driver for the increase in operating revenue is the expansion of pharmacy services at Phoenix Health Care for the Homeless, contract pharmacy services with Walgreens and Kroger and the Medicaid Prospective Payment System rate adjustment increase. The growth in total operating expenses were primarily a result of an increase in medical claims expense in the self-insured group medical plan and 12% year-over-year increase in the employer contribution rate.
- The Health Center's increase in operating loss in FY 2018 of ($530,810) is primarily attributable to the decrease in total operating revenues of ($1,818,405), offset by the decline in operating expenses of ($1,287,595), of which salaries and benefits expense decreased ($1,284,129). The primary driver for the decrease in operating revenue and expenses was the 13-month reporting period in FY 2017.

## Cash Flows

Changes in the Health Center's cash flows are consistent with changes in operating and nonoperating revenues and expenses discussed above.

## Capital Assets

At the end of FY 2019, the Health Center had $12,010,678 invested in capital assets, net of accumulated depreciation, as detailed in Note 6 to the financial statements. In FY 2019, the Health Center purchased new equipment and made building improvements totaling $619,630 primarily for the expansion of its Phoenix Healthcare for the Homeless facility to include secured pharmacy space and equipment and routine IS/IT computer and network related equipment. The Health Center does not have any debt associated with its capital assets.

## Other Economic Factors

With the onset of COVID-19 in FY 2020, the Health Center is making a diverse range of operational adjustments in response to the effects of the pandemic. These adjustments are numerous and include a transition to telework; supply chain and distribution adjustments; and modifying certain operations to comply with health and safety guidelines to protect patients and employees to support preventing, preparing for and responding to the pandemic. COVID-19 adversely impacted the Health Center's revenue, resultantly, the organization successfully secured *Coronavirus Aid, Relief, and Economic Security Act* (CARES) stimulus funding of approximately $2,900,000 to mitigate short- and long-term liquidity and funding risks. The Federal stimulus funding has improved the Health Center's overall liquidity position and outlook, in light of the revenue and cash flow impacts from COVID-19. In addition, the Health Center received a PPP loan of approximately $5,000,000 in April 2020 to help support salaries and benefits which are eligible payments and, therefore, expects substantially all of the loan will be forgiven.

## Contacting the Health Center's Financial Management

This financial report is designed to provide our patients, suppliers, taxpayers and creditors with a general overview of the Health Center's finances and to show the Health Center's accountability for the money it receives. Questions about this report and requests for additional financial information should be directed to the Health Center's chief financial officer by telephoning 502.772.8561.

# Family Health Centers, Inc.
# A Component Unit of the Louisville Metro Board of Health
## Balance Sheets
## December 31, 2019 and 2018

### Assets and Deferred Outflows of Resources

| | 2019 | 2018 |
|---|---|---|
| **Current Assets** | | |
| Cash | $ 5,823,373 | $ 5,963,782 |
| Short-term investments | 11,113,549 | 8,326,480 |
| Patient accounts receivable, net of allowance; 2019 – $716,000, 2018 – $760,000 | 2,451,003 | 2,134,839 |
| Estimated amounts due from third-party payors | 44,716 | 33,761 |
| Supplies | 140,285 | 143,775 |
| Prepaid expenses and other | 1,131,897 | 932,245 |
| Total current assets | 20,704,823 | 17,534,882 |
| **Noncurrent Cash and Investments** | | |
| Internally designated | 5,000,000 | 5,000,000 |
| **Capital Assets, Net** | 12,010,678 | 12,924,303 |
| Total assets | 37,715,501 | 35,459,185 |
| **Deferred Outflows of Resources – Pensions and OPEB** | 11,800,451 | 10,930,471 |
| Total assets and deferred outflows of resources | $ 49,515,952 | $ 46,389,656 |

### Liabilities, Deferred Inflows of Resources and Net Position (Deficit)

| | 2019 | 2018 |
|---|---|---|
| **Current Liabilities** | | |
| Accounts payable | $ 698,635 | $ 720,593 |
| Accrued salaries and wages | 498,704 | 420,288 |
| Accrued vacation and sick pay | 1,591,593 | 1,533,519 |
| Other accrued liabilities | 1,858,587 | 1,605,422 |
| Total current liabilities | 4,647,519 | 4,279,822 |
| **Net Pension and OPEB Liabilities** | 58,099,741 | 52,738,840 |
| Total liabilities | 62,747,260 | 57,018,662 |
| **Deferred Inflows of Resources – Pensions and OPEB** | 5,290,422 | 3,709,285 |
| **Net Position (Deficit)** | | |
| Net investment in capital assets | 12,010,678 | 12,924,303 |
| Unrestricted deficit | (30,532,408) | (27,262,594) |
| Total net position (deficit) | (18,521,730) | (14,338,291) |
| Total liabilities, deferred inflows of resources and net position (deficit) | $ 49,515,952 | $ 46,389,656 |

# Family Health Centers, Inc.
# A Component Unit of the Louisville Metro Board of Health
## Statements of Revenues, Expenses and Changes in Net Position
## Years Ended December 31, 2019 and 2018

| | 2019 | 2018 |
|---|---|---|
| **Operating Revenues** | | |
| Net patient service revenue, net of provision for uncollectible accounts; 2019 – $1,266,000, 2018 – $1,354,000 | $ 28,675,499 | $ 26,259,949 |
| Premium revenue | 858,078 | 3,048,488 |
| Grant awards | 8,102,361 | 7,783,909 |
| Other | 255,376 | 352,178 |
| Total operating revenues | 37,891,314 | 37,444,524 |
| **Operating Expenses** | | |
| Salaries and wages | 18,814,185 | 18,924,630 |
| Employee benefits | 14,759,255 | 13,632,375 |
| Purchased services and professional fees | 7,279,083 | 7,394,321 |
| Supplies and other | 4,703,208 | 4,646,352 |
| Depreciation and amortization | 1,533,255 | 1,500,448 |
| Total operating expenses | 47,088,986 | 46,098,126 |
| **Operating Loss** | (9,197,672) | (8,653,602) |
| **Nonoperating Revenues (Expenses)** | | |
| Investment return | 2,825,699 | (589,082) |
| Gain on investment in HMO Partnership | 1,397,006 | - |
| Noncapital gifts – Pfizer Sharing the Care Program | 928 | 3,456 |
| Noncapital appropriations – Louisville Metro and others | 790,600 | 786,400 |
| Total nonoperating revenues | 5,014,233 | 200,774 |
| **Loss Before Capital Gifts** | (4,183,439) | (8,452,828) |
| **Capital Gifts** | - | 187,350 |
| **Decrease in Net Position** | (4,183,439) | (8,265,478) |
| **Net Position (Deficit), Beginning of Year** | (14,338,291) | (6,072,813) |
| **Net Position (Deficit), End of Year** | $ (18,521,730) | $ (14,338,291) |

# Family Health Centers, Inc.
# A Component Unit of the Louisville Metro Board of Health
## Statements of Cash Flows
## Years Ended December 31, 2019 and 2018

| | 2019 | 2018 |
|---|---|---|
| **Cash Flows from Operating Activities** | | |
| Receipts from and on behalf of patients | $ 25,822,587 | $ 26,678,043 |
| Payments to suppliers and contractors | (12,200,411) | (11,970,349) |
| Payments to employees | (27,111,727) | (26,768,452) |
| Receipts of operating grants and other | 11,741,608 | 10,473,162 |
| Net cash used in operating activities | (1,747,943) | (1,587,596) |
| **Cash Flows from Noncapital Financing Activities** | | |
| Noncapital gifts received | 928 | 3,456 |
| Noncapital appropriations received – Louisville Metro and others | 790,600 | 786,400 |
| Net cash provided by noncapital financing activities | 791,528 | 789,856 |
| **Cash Flows from Capital and Related Financing Activities** | | |
| Capital gifts | - | 187,350 |
| Purchase of capital assets | (619,630) | (1,243,627) |
| Net cash used in capital and related financing activities | (619,630) | (1,056,277) |
| **Cash Flows from Investing Activities** | | |
| Interest and dividends on investments | 344,425 | 449,447 |
| Gain on investment in HMO Partnership | 1,397,006 | - |
| Purchase of investments | (5,120,707) | (3,760,670) |
| Proceeds from disposition of investments | 4,814,912 | 3,335,255 |
| Net cash provided by investing activities | 1,435,636 | 24,032 |
| **Decrease in Cash** | (140,409) | (1,829,985) |
| **Cash, Beginning of Year** | 5,963,782 | 7,793,767 |
| **Cash, End of Year** | $ 5,823,373 | $ 5,963,782 |
| **Reconciliation of Operating Loss to Net Cash Used in Operating Activities** | | |
| Operating loss | $ (9,197,672) | $ (8,653,602) |
| Depreciation and amortization | 1,533,255 | 1,500,448 |
| Provision for uncollectible accounts | 1,266,433 | 1,354,121 |
| Changes in assets and liabilities | | |
| Patient accounts receivable, net | (1,582,597) | (1,641,617) |
| Estimated amounts due from third-party payors | (10,955) | (5,823) |
| Accounts payable and accrued expenses | 367,697 | 7,625 |
| Deferred outflows of resources – pension and OPEB | (869,980) | 7,034,897 |
| Deferred inflows of resources – pension and OPEB | 1,581,137 | (657,965) |
| Pension and OPEB liability | 5,360,901 | (504,201) |
| Other current assets | (196,162) | (21,479) |
| Net cash used in operating activities | $ (1,747,943) | $ (1,587,596) |

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

### *Nature of Operations and Reporting Entity*

Family Health Centers, Inc. (Health Center) is a community health center located in Louisville, Kentucky. The Health Center is a component unit of the Louisville Metro Board of Health (Board of Health) and the Board of Health appoints members to the board of governors of the Health Center. The Health Center primarily earns revenues by providing primary care services to patients in the Louisville area by operating six primary care centers in Louisville and Jefferson County known as Portland, East Broadway, Fairdale, Iroquois, Southwest and Americana. Additionally, the Health Center operates a special health clinic for homeless persons in Louisville known as Phoenix Health Center. The Health Center also leases the aforementioned Portland primary care center for $1 per year from the Board of Health.

### *Basis of Accounting and Presentation*

The financial statements of the Health Center have been prepared on the accrual basis of accounting using the economic resources measurement focus. Revenues, expenses, gains, losses, assets, liabilities and deferred inflows and outflows of resources from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from government-mandated nonexchange transactions (principally appropriations and federal and state grants) and voluntary nonexchange transactions (principally gifts) are recognized when all applicable eligibility requirements are met. Operating revenues and expenses include exchange transactions and program-specific, government-mandated nonexchange transactions. Investment income is included in nonoperating revenues and expenses. The Health Center first applies restricted net position when an expense or outlay is incurred for purposes for which both restricted and unrestricted net positions are available.

### *Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### *Risk Management*

The Health Center is exposed to various risks of loss from torts, theft of, damage to and destruction of assets, business interruption, errors and omissions, employee injuries and illnesses, natural disasters, medical malpractice and employee health, dental and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters other than medical malpractice and employee health claims. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

The Health Center participates in a self-insurance fund established by the Board of Health. The participants in the self-insurance fund are the Louisville and Jefferson County Department of Public Health and the Health Center. The assets of the fund are held in an independent irrevocable trust and are used to pay losses and costs associated with malpractice and general liability claims of participants.

Contributions to the trust are the amounts necessary to provide for the losses based upon accepted actuarial techniques. The trust provides coverage on an occurrence basis for individual claims up to established limits. The Health Center records contributions to the trust as an expense. Liabilities and assets of the trust are not recorded in the accompanying financial statements.

Effective May 15, 1993, the U.S. Department of Health and Human Services deemed the Health Center and its practicing physicians covered under the *Federal Tort Claims Act* (FTCA) for damage for personal injury, including death, resulting from the performance of medical, surgical, dental and related functions. FTCA coverage is comparable to an occurrence policy without a monetary cap.

### *Investments and Investment Return*

Investments in non-negotiable certificates of deposit with a remaining maturity of one year or less at the time of acquisition are carried at amortized cost. All other investments are carried at fair value. Fair value is determined using quoted market prices.

Investment return includes dividend and interest income, realized gains and losses on investments carried at other than fair value and the net change for the year in the fair value of investments carried at fair value.

### *Patient Accounts Receivable*

The Health Center reports patient accounts receivable for services rendered at net realizable amounts from third-party payors, patients and others. The Health Center provides an allowance for uncollectible accounts based upon a review of outstanding receivables, historical collection information and existing economic conditions.

### *Supplies*

Supply inventories are stated at the lower of cost, determined using the first-in, first-out method, or market.

### *Capital Assets*

Capital assets are recorded at cost at the date of acquisition or fair value at the date of donation if acquired by gift. Depreciation is computed using the straight-line method over the estimated useful life of each asset. Leasehold improvements are depreciated over the shorter of the lease term or their respective estimated useful lives. The following estimated useful lives are being used by the Health Center:

| | |
|---|---|
| Buildings and improvements | 30–50 years |
| Leasehold improvements | 15–20 years |
| Fixed and moveable equipment | 3–15 years |

Certain capital assets have been purchased with grant funds received from various federal agencies. Such items may be reclaimed by the federal government if not used to further the grant's objectives.

### *Capital Asset Impairment*

The Health Center evaluates capital assets for impairment whenever events or circumstances indicate a significant, unexpected decline in the service utility of a capital asset has occurred.

No asset impairment was recognized during the years ended December 31, 2019 and 2018.

### *Deferred Outflows of Resources*

The Health Center reports consumption of net position that is applicable to a future reporting period as deferred outflows of resources in a separate section of its balance sheet.

### *Compensated Absences*

Health Center policies permit most employees to accumulate vacation and sick leave benefits that may be realized as paid time off or, in limited circumstances, as a cash payment. Expense and the related liability are recognized as vacation benefits and are earned whether the employee is expected to realize the benefit as time off or in cash.

Expense and the related liability for sick-leave benefits are recognized when earned to the extent the employee is expected to realize the benefit in cash determined using the termination payment method. Sick-leave benefits expected to be realized as paid time off are recognized as expense when the time off occurs and no liability is accrued for such benefits employees have earned but not yet realized.

Compensated absence liabilities are computed using the regular pay and termination pay rates in effect at the balance sheet date, plus an additional amount for compensation-related payments, such as Social Security and Medicare taxes computed using rates in effect at that date.

### *Cost-Sharing Defined Benefit Pension Plan*

As a component unit of the Board of Health, the Health Center participates in County Employees Retirement System (CERS), a cost-sharing multiple-employer defined benefit pension plan as defined by Governmental Accounting Standards Board (GASB) Statement No. 68. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of CERS and additions to/deductions from CERS's fiduciary net position have been determined on the same basis as they are reported by CERS. For this purpose, benefit payments, including refunds of employee contributions, are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

### *Cost-Sharing Defined Benefit Other Post-Employment Benefit Plan*

The Health Center participates in a cost-sharing multiple-employer defined benefit other postemployment benefit plan, CERS, (the OPEB Plan). For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB and OPEB expense, information about the fiduciary net position of the OPEB Plan and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by the OPEB Plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

### *Deferred Inflows of Resources*

The Health Center reports an acquisition of net position that is applicable to a future reporting period as deferred inflows of resources in a separate section of its balance sheet.

### *Net Position (Deficit)*

Net position (deficit) of the Health Center is classified in two components. Net investment in capital assets consists of capital assets net of accumulated depreciation. Unrestricted net position (deficit) is the remaining net position that does not meet the definition of net investment in capital assets.

### *Net Patient Service Revenue*

The Health Center has agreements with third-party payors that provide for payments to the Health Center at amounts different from its established rates. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered and include estimated retroactive revenue adjustments and a provision for uncollectible accounts. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered and such estimated amounts are revised in future periods, as adjustments become known.

### *Premium Revenue*

The Health Center has an agreement with University Health Care, Inc. (UHC) to provide medical services to subscribing Passport Health Maintenance Organization (HMO) participants. Under this agreement in prior years, the Health Center received a monthly per-member per-month Enhanced Comprehensive Services Payment and Patient Centered Medical Home (PCMH) certification payment. The agreement has shifted to a fee-for-service arrangement, plus an enhanced services cap payment.

### *Charity Care*

The Health Center provides charity care to patients who are unable to pay for services. The amount of charity care is included in net patient service revenue and is not separately classified from the provision for uncollectible accounts.

### *Income Taxes*

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

### *Electronic Health Records Incentive Program*

The Electronic Health Records (EHR) Incentive Program, enacted as part of the *American Recovery and Reinvestment Act of 2009*, provides for one-time incentive payments under both the Medicare and Medicaid programs to eligible health care facilities that demonstrate meaningful use of certified EHR technology.

Payments under the Medicare program are generally made for up to four years based on a statutory formula. Payments under the Medicaid program are generally made for up to four years based upon a statutory formula, as determined by the state, which is approved by the Centers for Medicare and Medicaid Services (CMS). Payments under both programs are contingent on the health care facility continuing to meet escalating meaningful use criteria and any other specific requirements that are applicable for the reporting period. The final amount for any payment year is determined based upon an audit by the fiscal intermediary. Events could occur that would cause the final amounts to differ materially from the initial payments under the program.

The Health Center recognizes revenue at the point it has met all of the meaningful use objectives and any other specific grant requirements applicable for the reporting period.

The Health Center recorded revenue of approximately $0 and $145,000 for the years ended 2019 and 2018, respectively, which is included in other operating revenues in the statements of revenues, expenses and changes in net position.

## Note 2: Grant Revenue

The Health Center is the recipient of a Community Health Center (CHC) grant from the U.S. Department of Health and Human Services. The general purpose of the grant is to provide expanded health care service delivery for residents of Louisville, Kentucky. Terms of the grant generally provide for funding of the Health Center's operations based on an approved budget. Grant revenue is recognized as qualifying costs incurred over the grant period. During the years ended December 31, 2019 and 2018, the Health Center received $7,060,695 and $6,659,791, respectively, in CHC grant funds.

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

## Note 3: Net Patient Service Revenue

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

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

**Medicaid.** The Commonwealth of Kentucky transferred responsibility for Medicaid patient care in the Louisville area to a health care partnership. This partnership is a coalition of medical providers in both the public and private sectors that provide a comprehensive medical service package through an integrated service delivery network to Medicaid beneficiaries residing in a 16-county region, including Jefferson County. Managed care partnerships participate in the Medicaid program as comprehensive risk-based entities and are paid on a capitated basis. Effective November 1, 1997, pursuant to a contract with the Commonwealth of Kentucky, Region 3 Provider Partnership Council, Inc. and UHC, UHC began coverage of Medicaid KenPAC beneficiaries through a managed care plan called Passport.

On September 1, 2015, the Health Center revised its Provider Services Agreement with UHC, d/b/a Passport Health Plan (Passport).

In November 2011, the CMS notified the Commonwealth of Kentucky that the Section 1115 Waiver, which allowed Passport to operate as the exclusive Kentucky Medicaid managed care contractor for the 16 counties, including the Louisville Metro area, would come to an end on December 31, 2012. The Kentucky Department of Medicaid Services signed contracts with four Medicaid managed care organizations, including Passport, to serve the 16-county region effective January 1, 2013.

Approximately 64% and 68% of net patient service revenue is from participation in the Medicare and state-sponsored Medicaid programs for the years ended December 31, 2019 and 2018. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation and change. As a result, it is reasonably possible that recorded estimates will change materially in the near term. Compliance with such laws and regulations can be subject to future government review and interpretation, as well as significant regulatory action, including fines and penalties.

The Health Center has also entered into payment agreements with certain commercial insurance carriers, HMO and preferred provider organizations. The basis for payment to the Health Center under these agreements includes prospectively determined rates per discharge, discounts from established charges and prospectively determined daily rates.

## Note 4: Deposits, Investments and Investment Income

### *Deposits*

Custodial credit risk is the risk that in the event of a bank failure, a government's deposit may not be returned to it. The Health Center's deposit policy for custodial credit risk requires compliance with the provisions of state law.

State law requires collateralization of all deposits with federal depository insurance, bonds and other obligations of the U.S. Treasury, U.S. agencies or instrumentalities or the state of Kentucky, bonds of any city, county, school district or special road district of the state of Kentucky, bonds of any state or a surety bond having an aggregate value at least equal to the amount of the deposits.

At December 31, 2019 and 2018, the Health Center's bank balances were not exposed to custodial credit risk; all balances were collateralized.

### *Investments*

The Health Center may legally invest in direct obligations of and other obligations guaranteed as to principal by the U.S. Treasury and U.S. agencies and instrumentalities, and in bank repurchase agreements. It may also invest in certificates of deposit, money market funds, corporate bonds and equity securities.

At December 31, 2019 and 2018, the Health Center had the following investments and maturities:

**2019**

| | | Maturities in Years | | | |
|---|---|---|---|---|---|
| | Fair Value | Less Than One | One to Five | Six to 10 | More Than 10 |
| Money market | $ 232,672 | $ 232,672 | $ - | $ - | $ - |
| Equities | 10,477,563 | 10,477,563 | - | - | - |
| Fixed income | 5,266,520 | 976,210 | 3,592,638 | 697,672 | - |
| | $ 15,976,755 | $11,686,445 | $ 3,592,638 | $ 697,672 | $ - |

**2018**

| | | Maturities in Years | | | |
|---|---|---|---|---|---|
| | Fair Value | Less Than One | One to Five | Six to 10 | More Than 10 |
| Money market | $ 412,356 | $ 412,356 | $ - | $ - | $ - |
| Equities | 8,364,801 | 8,364,801 | - | - | - |
| Fixed income | 4,414,947 | 739,066 | 2,754,464 | 921,417 | - |
| | $ 13,192,104 | $ 9,516,223 | $ 2,754,464 | $ 921,417 | $ - |

Interest rate risk – As a means of limiting its exposure to fair value losses arising from rising interest rates, the Health Center's investment policy limits its investments in fixed income securities to bond mutual funds, which are redeemable in full immediately or within five to nine years. The money market and equity mutual funds are presented as an investment with a maturity of less than one year because they are redeemable in full immediately.

Custodial credit risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Health Center will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. As a means of mitigating custodial credit risk, the Health Center targets its investments in equity securities to 50% or 10% of its portfolio.

### *Summary of Carrying Values*

The carrying values of deposits and investments shown above are included in the balance sheets as follows:

| | 2019 | 2018 |
|---|---|---|
| Carrying value | | |
| Deposits | $ 5,960,167 | $ 6,098,158 |
| Investments | 15,976,755 | 13,192,104 |
| | $ 21,936,922 | $ 19,290,262 |

Included in the following balance sheet captions:

| | 2019 | 2018 |
|---|---|---|
| Cash | $ 5,823,373 | $ 5,963,782 |
| Short-term investments | 11,113,549 | 8,326,480 |
| Noncurrent cash and investments | 5,000,000 | 5,000,000 |
| | $ 21,936,922 | $ 19,290,262 |

At December 31, 2019 and 2018, there were $100,000 of non-negotiable certificates of deposit included in deposits.

### *Investment Return*

Investment return consisted of:

| | 2019 | 2018 |
|---|---|---|
| Interest and dividend income | $ 344,425 | $ 449,447 |
| Net realized and unrealized gains (losses) | 2,481,274 | (1,038,529) |
| | $ 2,825,699 | $ (589,082) |

## Note 5: Patient Accounts Receivable

The Health Center grants credit without collateral to its patients, many of whom are area residents and are insured under third-party payor agreements. Patient accounts receivable at December 31, 2019 and 2018, consisted of:

| | 2019 | 2018 |
|---|---|---|
| Medicare | $ 388,355 | $ 473,068 |
| Medicaid | 1,708,139 | 1,388,579 |
| Other third-party payors | 243,072 | 221,830 |
| Patients | 828,018 | 811,709 |
| | 3,167,584 | 2,895,186 |
| Less allowance for uncollectible accounts | 716,581 | 760,347 |
| | $ 2,451,003 | $ 2,134,839 |

## Note 6: Capital Assets

Capital assets' activity for the years ended December 31, 2019 and 2018, was:

| | 2019 | | | | |
|---|---|---|---|---|---|
| | Beginning Balance | Additions | Disposals | Transfers | Ending Balance |
| Nondepreciable | | | | | |
| Land | $ 53,500 | $ - | $ - | $ - | $ 53,500 |
| Depreciable | | | | | |
| Land improvements | 188,055 | - | - | - | 188,055 |
| Buildings and leasehold improvements | 19,883,697 | - | - | 215,762 | 20,099,459 |
| Equipment | 6,908,696 | 143,737 | - | 173,758 | 7,226,191 |
| Construction in progress | 300,693 | 475,893 | - | (389,520) | 387,066 |
| | 27,334,641 | 619,630 | - | - | 27,954,271 |
| Less accumulated depreciation | | | | | |
| Land improvements | 191,176 | 26,339 | - | - | 217,515 |
| Buildings and leasehold improvements | 8,699,462 | 951,085 | - | - | 9,650,547 |
| Equipment | 5,519,700 | 555,831 | - | - | 6,075,531 |
| | 14,410,338 | 1,533,255 | - | - | 15,943,593 |
| Capital assets, net | $ 12,924,303 | $ (913,625) | $ - | $ - | $ 12,010,678 |

| | 2018 | | | | |
|---|---|---|---|---|---|
| | **Beginning Balance** | **Additions** | **Disposals** | **Transfers** | **Ending Balance** |
| Nondepreciable | | | | | |
| Land | $ 53,500 | $ - | $ - | $ - | $ 53,500 |
| Depreciable | | | | | |
| Land improvements | 188,055 | - | - | - | 188,055 |
| Buildings and leasehold improvements | 19,007,088 | 155,460 | - | 721,149 | 19,883,697 |
| Equipment | 6,740,147 | 148,493 | - | 20,056 | 6,908,696 |
| Construction in progress | 102,224 | 939,674 | - | (741,205) | 300,693 |
| | 26,091,014 | 1,243,627 | - | - | 27,334,641 |
| Less accumulated depreciation | | | | | |
| Land improvements | 164,108 | 27,068 | - | - | 191,176 |
| Buildings and leasehold improvements | 7,777,105 | 922,357 | - | - | 8,699,462 |
| Equipment | 4,968,677 | 551,023 | - | - | 5,519,700 |
| | 12,909,890 | 1,500,448 | - | - | 14,410,338 |
| Capital assets, net | $ 13,181,124 | $ (256,821) | $ - | $ - | $ 12,924,303 |

## Note 7: Medical Malpractice Claims

The Health Center is covered under the FTCA and from a self-insurance fund established from the Board of Health for medical malpractice, which is comparable to an occurrence-based policy. Accounting principles generally accepted in the United States of America require a health care provider to accrue the expense of its share of malpractice claim costs, if any, for any reported and unreported incidents of potential improper professional service occurring during the year by estimating the probable ultimate costs of the incidents. Based upon the Health Center's claims experience, no such accrual has been made. It is reasonably possible this estimate could change materially in the near term.

## Note 8: Investment in Health Maintenance Organization Partnership

The Health Center has a 2.6% investment in Passport HMO Partnership, a managed care alliance that provides for the health care needs of Medicaid clients in the Jefferson County, Kentucky, area. As of December 2008, the board of the HMO Partnership approved a return of capital for HMO members. During 2009, the Health Center received a complete return of its original capital investment, as well as other income related to uncompensated assistance of the Health Center's personnel for services related to this HMO Partnership. As of December 31, 2019 and 2018, the Health Center's ownership interest in the HMO Partnership remained at 2.6%. During 2019, Passport entered into an asset purchase agreement which resulted in a payout to the respective HMO members, of which the Health Center received $1,397,006 for the year ended December 31, 2019. Additional payouts are scheduled to occur, but they are contingent on various events in the future.

## Note 9: Operating Leases

Noncancellable operating leases for clinic space and facilities expire in various years through 2036. These leases generally contain renewal options for periods ranging from 1 to 10 years and require the Health Center to pay all executory costs (property taxes, maintenance and insurance). Lease expense was $777,892 and $625,732 for the years ended December 31, 2019 and 2018, respectively.

Future minimum lease payments under noncancellable operating leases at December 31, 2019, were:

| | |
|---|---|
| 2020 | $ 649,825 |
| 2021 | 651,187 |
| 2022 | 654,765 |
| 2023 | 661,132 |
| 2024 | 488,867 |
| Thereafter | 4,366,958 |
| | $ 7,472,734 |

## Note 10: Pension Plan

### *County Employees Retirement System (CERS)*

#### Plan Description

The Health Center contributes to the non-hazardous CERS, a cost-sharing multiple-employer defined benefit pension plan administered by an agency of the Commonwealth of Kentucky. State law assigns the authority to establish and amend benefit provisions to the plan's board of trustees, which is appointed by the Governor with the approval of the State Legislature. The defined benefit plan provides for retirement, disability, death benefits and health insurance and is mandatory for all employees who average working at least 100 hours per month. Participants have a fully vested interest after the completion of 60 months of service, 12 of which are current service. The plan issues a publicly available financial report that includes financial statements and required supplementary information for the plan. The report may be obtained by writing to Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, KY 40601, or by calling 502.564.4646 or visiting kyret.ky.gov.

### Benefits Provided

| Non-hazardous | Tier 1<br>Participation Prior to<br>September 1, 2008 | Tier 2<br>Participation September 1, 2008<br>Through December 31, 2013 | Tier 3<br>Participation on or After<br>January 1, 2014 |
|---|---|---|---|
| **Benefit Formula** | Final Compensation X Benefit Factor X Years of Service | | Cash balance plan |
| **Final Compensation** | Average of the highest five fiscal years (must contain at least 48 months). Includes lump-sum compensation payments (before and at retirement). | Five complete fiscal years immediately preceding retirement; each year must contain 12 months. Lump-sum compensation payments (before and at retirement) are not to be included in creditable compensation. | No final compensation |
| **Benefit Factor** | 2.2% if the participation date was before August 1, 2004, or 2.0% if participation date was after August 1, 2004. | 10 years or less = 1.10%. Greater than 10 years, but no more than 20 years = 1.30%. Greater than 20 years, but not more than 26 years = 1.50%. Greater than 26 years, but no more than 30 years = 1.75%. Additional years above 30 = 2.00% (2.00% benefit factor only applies to service earned in excess of 30 years). | No benefit factor. A life annuity can be calculated in accordance with actuarial assumptions and methods adopted by the board based on member's accumulated account balance. |
| **Cost of Living Adjustment (COLA)** | No COLA unless authorized by the Legislature. If authorized, COLA is limited to 1.5%. This impacts all retirees regardless of Tier. | | |
| **Unreduced Retirement Benefit** | Any age with 27 years of service. Age 65 with 48 months of service. Money purchase for age 65 with less than 48 months based on contributions and interest. | Rule of 87: Member must be at least age 57 and age plus earned service must equal 87 years at retirement to retire under this provision. Age 65 with 5 years of earned service. No money purchase calculations. | |
| **Reduced Retirement Benefit** | Any age with 25 years of service. Age 55 with 5 years of service. | Age 60 with 10 years of service. Excludes purchased service (exception: refunds, omitted, free military). | No reduced retirement benefit |

### *Contributions*

Benefit and contribution rates are established by state statute. Per Kentucky Revised Statute (KRS) 61.565, contribution requirements of the active employees and the participating organizations are established and may be amended by the KRS board. Employees are required to contribute 5% of their annual pay. Employees with a participation date after September 1, 2008, are required to contribute an additional 1% of their annual pay for retiree health care benefits. The Health Center's contractually required contribution rate applied to pension was 19.30% and 16.22%; and insurance 4.76% and 5.26% for the years ended December 31, 2019 and 2018, respectively, for a total of 24.06% and 21.48% of annual payroll, respectively. The Health Center's contractually required contribution rate was actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. For the years ended December 31, 2019 and 2018, contributions to the pension plan from the Health Center were $3,019,909 and $2,577,600, respectively.

### *Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*

At December 31, 2019 and 2018, the Health Center reported a liability of $46,888,956 and $40,834,885, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019 and 2018, and the total pension liability used to calculate the net pension liability was determined by actuarial valuations as of June 30, 2018 and 2017. The total pension liability was rolled-forward from the valuation date (June 30, 2018) to the plan's fiscal year ended June 30, 2019, and the valuation date (June 30, 2017) to the year ended June 30, 2018.

The Health Center's proportion of the net pension liability was based on the Health Center's actual contributions to the pension plan relative to the actual contributions of all participating employers. At June 30, 2019, the Health Center's proportion was 0.666695%, which was a decrease of .004% from its proportion measured as of June 30, 2018, of 0.67049000%.

For the years ended December 31, 2019 and 2018, the Health Center recognized pension expense of $8,981,293 and $7,951,439, respectively. At December 31, 2019 and 2018, the Health Center reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | 2019 | |
|---|---|---|
| | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences between expected and actual experience | $ 1,197,216 | $ 198,118 |
| Changes of assumptions | 4,745,695 | - |
| Net difference between projected and actual earnings on pension plan investments | - | 755,870 |
| Changes in proportion | 329,635 | 204,568 |
| Health Center's contributions subsequent to the measurement date | 1,676,655 | - |
| | $ 7,949,201 | $ 1,158,556 |

| | 2018 | |
|---|---|---|
| | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences between expected and actual experience | $ 1,331,920 | $ 597,737 |
| Changes of assumptions | 3,990,756 | - |
| Net difference between projected and actual earnings on pension plan investments | - | 489,634 |
| Changes in proportion | 1,300,875 | 222,668 |
| Health Center's contributions subsequent to the measurement date | 1,384,519 | - |
| | $ 8,008,070 | $ 1,310,039 |

At December 31, 2019 and 2018, the Health Center reported $1,676,655 and $1,384,519, respectively, as deferred outflows of resources related to pensions resulting from Health Center contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ending December 31, 2020 and 2019, respectively.

Other amounts reported as deferred outflows of resources and deferred inflows of resources at December 31, 2019, related to pensions will be recognized in pension expense as follows:

| | |
|---|---|
| 2020 | $ 3,489,681 |
| 2021 | 1,108,024 |
| 2022 | 462,659 |
| 2023 | 53,626 |
| | $ 5,113,990 |

### *Actuarial Assumptions*

The total pension liability in the June 30, 2019 and 2018, actuarial valuations was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---|---|
| Inflation | 2.30% |
| Payroll Growth Rate | 2.00% (2019); 0% (2018) |
| Salary increases | 3.30% to 10.30%, varies by service for CERS non-hazardous (2019); 3.05%, average, including inflation (2018); |
| Investment rate of return | 6.25%, net of pension plan investment expense, including inflation |

**2019**

The mortality table used for active members was a Pub-2010 General Mortality table, for the Non-Hazardous System, and the Pub-2010 Public Safety Mortality table for the Hazardous System, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. The mortality table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019. The mortality table used for the disabled members was PUB-2010 Disabled Mortality table, with a 4-year set forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

House Bill 1 passed during 2019 Special Legislative Session allows certain employers in the KERS Non-hazardous plan to elect to cease participating in the KRS System as of June 30, 2020. Since each employer's election was unknown at the time of the valuation, and the legislation was enacted after the June 30, 2019, measurement date, no adjustments were made to the total pension liability to reflect this legislation. There were no other plan provision changes.

**2018**

The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy, retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back one year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table Projected with Scale BB to 2013 (set back four years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.

However, during the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. Benefits paid to the spouses of deceased members have been increased from 25% of the member's final rate of pay to 75% of the member's average pay. If the member does not have a surviving spouse, benefits paid to surviving dependent children have been increased from 10% of the member's final pay rate to 50% of average pay for one child, 65% of average pay for two children or 75% of average pay for three children.

### *Long-Term Expected Rate of Return*

The long-term expected rate of return was determined by using a building-block method in which best-estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rate of return for each major asset class are summarized in the table below:

| | Target Allocation | Long-Term Expected Real Rate of Return |
|---|---|---|
| **Asset Class** | | |
| U.S. equity | 19% | 4.30 |
| Non-U.S. equity | 19% | 4.80 |
| Private equity | 10% | 6.65 |
| Specialty credit/high yield | 15% | 2.60 |
| Core bonds | 13% | 1.35 |
| Cash equivalent | 1% | 0.20 |
| Real estate | 5% | 4.85 |
| Opportunistic | 3% | 2.97 |
| Real return | 15% | 4.10 |
| Total | 100% | |

### *Discount Rate*

The discount rate used to measure the total pension liability was 6.25% for the years ended December 31, 2019 and 2018, respectively. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that participating employer contributions will be made at contractually required rates, actuarially determined. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

### *Sensitivity of the Health Center's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate*

The Health Center's proportionate share of the net pension liability has been calculated using a discount rate of 6.25%. The following presents the Health Center's proportionate share of the net pension liability calculated using a discount rate 1% higher and 1% lower than the current rate.

| | 1% Decrease (5.25%) | Current Discount Rate (6.25%) | 1% Increase (7.25%) |
|---|---|---|---|
| Health Center's proportionate share of the net pension liability | $ 58,645,000 | $ 46,889,000 | $ 37,091,000 |

### *Pension Plan Fiduciary Net Position*

Detailed information about the pension plan's fiduciary net position is available in the separately issued KRS financial report.

### *Payable to the Pension Plan*

At December 31, 2019 and 2018, the Health Center reported a payable of $298,973 and $257,758, respectively, for the outstanding amount of contributions to the pension plan required for the years ended December 31, 2019 and 2018.

## Note 11: Other Postemployment Benefit Plan

### *Plan Description*

The Health Center contributes to the KRS Insurance Fund, a cost-sharing multiple-employer defined benefit other postemployment benefit plan (OPEB Plan), which was established to provide hospital and medical insurance for eligible members receiving benefits from CERS. Under the provisions of Kentucky Revised Statute Sections 61.645 and 61.701, the Board of Trustees (the Board) of Kentucky Retirement Systems (KRS) administers the Kentucky Employees Retirement System (KERS), County Employees Retirement System (CERS) and State Police Retirement System (SPRS). Although the assets of the systems are invested as a whole, each KRS system's assets are used only for the payment of benefits to the members of that plan, and the administrative costs incurred by those receiving an insurance benefit, in accordance with the provisions of Kentucky Revised Statute Sections 16.510, 61.515, 61.702, 78.520, and 78.630. The Health Center contributes to the non-hazardous CERS fund of KRS. The OPEB plan pays a prescribed contribution for whole or partial payment of required premiums to purchase hospital and medical insurance. The OPEB plan is administered by the Board of Trustees of the KRS. Benefit provisions are contained in the plan document and were established and can be amended by action of the Commonwealth of Kentucky Legislature. KERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, KY 40601-6124 or by calling 502.696.8800.

### *Benefits Provided*

The OPEB Plan provides the following benefits to eligible retirees and their dependents:

| **Nonhazardous** | **Tier 1 Participation Prior to July 1, 2003** | **Tier 2 Participation July 1, 2003 Through August 31, 2008** | **Tier 3 Participation on or After September 1, 2008** |
|---|---|---|---|
| **Eligibility** | Recipient of a retirement allowance | Recipient of a retirement allowance, with at least 120 months of service at retirement | Recipient of a retirement allowance, with at least 180 months of service at retirement |
| **Benefit** | Allowance for medical insurance coverage based on years and type of service. Less than 4 years = 0%. At least 4 years, but less than 10 = 25%. At least 10 years, but less than 15 = 50%. At least 15 years, but less than 20 = 75%. 20 or more years = 100%. | Monthly contribution of $10 for each year of earned service. | |
| **Cost of Living Adjustment (COLA)** | N/A | Monthly contribution is increased by 1.5% each July 1. As of July 1, 2016, the nonhazardous monthly contribution was $12.99/year of service. | |

### *Actuarial Assumptions*

The total OPEB liability in the June 30, 2019 and 2018, actuarial valuations was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---|---|
| Inflation | 2.30% |
| Payroll growth rate | 2.00% |
| Salary increases | 3.30% to 10.30%, varies by service (2019); 3.05%, average (2018) |
| Investment rate of return | 6.25% |
| Healthcare Cost Trend Rates: | |
| Pre-65 | Initial trend starting at 7.00% at January 1, 2020, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years |
| Post-65 | Initial trend starting at 5.00% at January 1, 2020, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 10 years |

The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set-back for one year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back four years for males) is used for the period after disability retirement.

### *Long-Term Expected Rate of Return*

The long-term expected rate of return on OPEB Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB Plan investment expense and inflation) are developed for each asset class. These ranges are combined by weighting the expected future real rates of return by the target asset allocation percentage.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

| | Target Allocation | Long-Term Expected Real Rate of Return |
|---|---|---|
| **Asset Class** | | |
| U.S. equity | 19% | 4.30 |
| Non-U.S. equity | 19% | 4.80 |
| Private equity | 10% | 6.65 |
| Specialty credit/high yield | 15% | 2.60 |
| Core bonds | 13% | 1.35 |
| Cash equivalent | 1% | 0.20 |
| Real estate | 5% | 4.85 |
| Opportunistic | 3% | 2.97 |
| Real return | 15% | 4.10 |
| Total | 100% | |

### *Discount Rate*

The discount rate used to measure the total OPEB liability was 5.68% and 5.85% at June 30, 2019, and 2018, respectively. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 24 years (closed) amortization period of the unfunded actuarial accrued liability. The discount rate determination used an expected rate of return of 6.25%, and a municipal bond rate of 3.13%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2019. However, the cost associated with the implicit employer subsidy was not included in the calculation of the Health Center's actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the CERS's trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

### *Contributions*

Benefit and contribution rates are established by state statute. Per Kentucky Revised Statute 61.565, contribution requirements of the participating organizations are established and may be amended by the KRS Board. Employees with a participation date after September 1, 2008 are required to contribute 1% of their covered salary for retiree healthcare benefits. For the years ended December 31, 2019 and 2018, the Health Center was contractually required to contribute 4.76% and 5.26%, respectively, of covered payroll to the non-hazardous CERS OPEB plan. For the years ended December 31, 2019 and 2018, contributions to the OPEB insurance fund from the Health Center were $849,122 and $836,158, respectively, and contributions (benefit payments) for its implicit rate subsidy were $216,375 and $179,197, respectively.

### *Payable to the OPEB Plan*

At December 31, 2019 and 2018, the Health Center reported a payable of $73,736 and $83,589, respectively, for the outstanding amount of contributions to the OPEB Plan required for the years ended December 31, 2019 and 2018.

### *OPEB Liabilities*

At December 31, 2019 and 2018, the Health Center reported a liability of $11,210,785 and $11,903,955, respectively, for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019 and 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2018 and 2017, rolled forward to the measurement date.

The Health Center's proportion of the net OPEB liability was based on the Health Center's actual contributions to the OPEB plan relative to the contributions of all participating employers for the measurement period. At June 30, 2019, the Health Center's proportion was .666533%. For the prior year, the Health Center's proportion was .670464%.

### *Sensitivity of the Health Center's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Healthcare Cost Trend Rates*

The Health Center's proportionate share of the net OPEB liability has been calculated using a discount rate of 5.68%. The following presents the Health Center's proportionate share of the net OPEB liability calculated using a discount rate 1% higher and 1% lower than the current discount rate.

| | 1% Decrease (4.68%) | Current Discount Rate (5.68%) | 1% Increase (6.68%) |
|---|---|---|---|
| Health Center's proportionate share of the net OPEB liability | $ 15,018,000 | $ 11,211,000 | $ 8,074,000 |

The Health Center's proportionate share of the net OPEB liability has been calculated using an initial pre-65 healthcare cost trend rates of 7.00%, gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years. The post-65 health care trend rate starts at 5.00%, gradually decreasing to an ultimate trend rate of 4.05% over a period of 11 years.

| | 1% Decrease | Current Health Care Cost Trend Rates | 1% Increase |
|---|---|---|---|
| Health Center's proportionate share of the net OPEB liability | $ 8,338,000 | $ 11,211,000 | $ 14,695,000 |

### *OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB*

For the years ended December 31, 2019 and 2018, the Health Center recognized OPEB expense of $1,179,012 and $1,486,470, respectively. At December 31, 2019 and 2018, the Health Center reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | 2019 | |
|---|---|---|
| | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences between expected and actual experience | $ - | $ 3,382,553 |
| Changes of assumptions | 3,317,375 | 22,183 |
| Net difference between projected and actual earnings on OPEB plan investments | - | 497,934 |
| Changes in proportion | - | 229,196 |
| Health Center's contributions subsequent to the measurement date, including benefit payments for implicit rate subsidy | 533,875 | - |
| | $ 3,851,250 | $ 4,131,866 |

| | 2018 | |
|---|---|---|
| | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences between expected and actual experience | $ - | $ 1,387,248 |
| Changes of assumptions | 2,377,396 | 27,503 |
| Net difference between projected and actual earnings on OPEB plan investments | - | 819,949 |
| Changes in proportion | - | 164,546 |
| Health Center's contributions subsequent to the measurement date, including benefit payments for implicit rate subsidy | 545,005 | - |
| | $ 2,922,401 | $ 2,399,246 |

At December 31, 2019, the Health Center reported $533,875, as deferred outflows of resources related to OPEB resulting from Health Center contributions subsequent to the measurement date that will be recognized as a reduction of the net OPEB liability in the year ending December 31, 2020.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB at December 31, 2019, will be recognized in OPEB expense as follows:

| | |
|---|---|
| 2020 | $ (133,994) |
| 2021 | (133,994) |
| 2022 | 24,321 |
| 2023 | (278,839) |
| 2024 | (248,145) |
| Thereafter | (43,840) |
| | $ (814,491) |

### *OPEB Plan Fiduciary Net Position*

Detailed information about the OPEB Plan's fiduciary net position is available in the separately issued plan financial report.

## Note 12: Deferred Compensation Plan

The Board of Health and the Health Center offer Health Center employees participation in a deferred compensation plan (Plan) created in accordance with IRC Section 457. The Plan, available to all Health Center employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

The assets held by the Health Center's deferred compensation plan at December 31, 2019 and 2018, were approximately $5,780,000 and $5,592,000, respectively.

## Note 13: Disclosures About Fair Value of Assets and Liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

**Level 1** Quoted prices in active markets for identical assets or liabilities

**Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities

**Level 3** Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

### *Recurring Measurements*

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying financial statements measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2019 and 2018:

| | | Fair Value Measurements Using | | |
|---|---|---|---|---|
| | Total Fair Value | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| **December 31, 2019** | | | | |
| Investments by fair value level | | | | |
| Money market funds | $ 232,672 | $ 232,672 | $ - | $ - |
| Equities | 10,477,563 | 10,477,563 | - | - |
| Fixed income | 5,266,520 | - | 5,266,520 | - |
| Total investments by fair value level | $ 15,976,755 | $ 10,710,235 | $ 5,266,520 | $ - |
| **December 31, 2018** | | | | |
| Investments by fair value level | | | | |
| Money market funds | $ 412,356 | $ 412,356 | $ - | $ - |
| Equities | 8,364,801 | 8,364,801 | - | - |
| Fixed income | 4,414,947 | - | 4,414,947 | - |
| Total investments by fair value level | $ 13,192,104 | $ 8,777,157 | $ 4,414,947 | $ - |

### *Investments*

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. The Health Center had no Level 3 securities.

## Note 14: Employee Health Claims

Substantially all of the Health Center's employees and their dependents are eligible to participate in the Health Center's employee health insurance plan. The Health Center is self-insured for health claims of participating employees and dependents up to an annual aggregate amount of $100,000. Commercial stop-loss insurance coverage is purchased for claims in excess of the aggregate annual amount. A provision is accrued for self-insured employee health claims, including both claims reported and claims incurred but not yet reported. The accrual is estimated based on consideration of prior claims experienced, recently settled claims, frequency of claims and other economic and social factors. It is reasonably possible the Health Center's estimate will change by a material amount in the near term. At December 31, 2019 and 2018, the Health Center has accrued approximately $186,000 and $193,000, respectively, for claims incurred but not yet paid. During the years ended December 31, 2019 and 2018, approximately $2,897,000 and $2,594,000, respectively, of claims and expenses have been paid.

## Note 15: Contingencies

### *General Litigation*

The Health Center is subject to claims and lawsuits that arose primarily in the ordinary course of its activities. The Health Center evaluates such allegations by conducting investigations to determine the validity of each potential claim. It is the opinion of management the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the balance sheets, change in net assets and cash flows of the Health Center. Events could occur that would change this estimate materially in the near term.

### *Deferred Compensation Agreement*

As described in Note 12, the amount of annual expense accrued for deferred compensation is based on an estimate of the total amounts payable under the contract over the lifetimes of the beneficiaries.

### *Pension and Other Postretirement Benefit Obligations*

The Health Center has a defined benefit pension and postretirement health care plan whereby it agrees to provide certain postretirement benefits to eligible employees. The benefit obligation is the actuarial present value of all benefits attributed to service rendered prior to the valuation date based on the projected unit credit cost method. It is reasonably possible that events could occur that would change the estimated amount of this liability materially in the near term.

### *Investments*

The Health Center invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying balance sheets.

## Note 16: Future Changes in Accounting Principles

### *Leases*

In fiscal year 2022, the Health Center will implement GASB Statement No. 87, *Leases*. The statement provides a new framework for accounting for leases under the principle that leases are financings and lessees should recognize an intangible asset and a corresponding liability while the lessor will recognize a lease receivable and related deferred inflow of resources. The Health Center has not determined the impact of this new standard on its financial statements; however, it could have a material future impact.

### *Fiduciary Activities*

GASB Statement No. 84, *Fiduciary Activities*, was issued January 2017. The provisions of this statement are effective for fiscal years beginning after December 15, 2019 (fiscal year 2020). This statement provides guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and will require the Health Center to include fiduciary fund financial statements for material fiduciary activities, if any, before the notes to the financial statements. The Health Center has yet to determine the impact Statement No. 84 will have on its financial statements.

### *IRC Section 457 Deferred Compensation Plans*

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for IRC Code Section 457 Deferred Compensation Plans*, was issued June 2020. The provisions of this statement are effective for fiscal years beginning after June 15, 2021 (fiscal year 2022). This statement provides guidance regarding reporting certain defined contribution pension plans as fiduciary component units and limits the application of the financial burden criterion regarding contributions to postemployment benefit plans to only defined benefit pension plans and defined benefit OPEB plans that are administered through trusts.

# Required Supplementary Information

# Family Health Centers, Inc.
# A Component Unit of the Louisville Metro Board of Health

## Schedules of Required Supplementary Information

## Schedule of the Health Center's Proportionate Share of the Net Pension Liability

## County Employees' Retirement System

## Years Ended December 31, 2019 and 2018

| | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|
| Health Center's proportion of the net pension liability | 0.666695% | 0.670490% | 0.677078% | 0.622843% |
| Health Center's proportionate share of the collective net pension liability | $46,888,956 | $40,834,885 | $39,631,457 | $30,666,411 |
| Health Center's covered-employee payroll | $16,165,994 | $16,460,040 | $16,089,337 | $14,654,012 |
| Health Center's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 290.05% | 248.08% | 246.32% | 209.27% |
| Pension plan fiduciary net position as a percentage of the total pension liability | 50.45% | 53.54% | 53.32% | 55.50% |

The amounts presented for the fiscal years were determined as of the June 30 measurement date.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

### *Changes in Actuarial Assumptions*

The mortality tables utilized were updated for the 2019 actuarial assumptions compared to the 2018 assumptions. The payroll rate increased to 2.00% for 2019 compared to 0.00% for 2018. The salary rate increased to vary from 3.30% to 10.30% by service for 2019 compared to 3.05% for 2018.

# Family Health Centers, Inc.
# A Component Unit of the Louisville Metro Board of Health
## Schedules of Required Supplementary Information
## Schedule of the Health Center's Pension Contributions
## County Employees' Retirement System
## Years Ended December 31, 2019 and 2018

| | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|
| Statutorily determined contribution | $ 3,441,980 | $ 2,576,225 | $ 2,525,171 | $ 1,962,428 |
| Health Center's contributions in relation to the statutorily determined contribution | 3,019,909 | 2,577,600 | 2,599,456 | 2,065,525 |
| Contribution deficiency (excess) | $ 422,071 | $ (1,375) | $ (74,285) | $ (103,097) |
| Covered-employee payroll | $ 16,080,761 | $ 15,891,490 | $ 17,952,044 | $ 14,806,631 |
| Contributions as a percentage of covered-employee payroll | 19.30% | 16.22% | 14.48% | 13.95% |

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

### ***Changes*** in Actuarial Assumptions

The investment return rate decreased to 6.25% in 2019 from 7.50% in 2018. The payroll growth rate increased to 2.00% in 2019 from 0.00% in 2018. The inflation rate decreased to 2.30% in 2019 from 3.25% in 2018. The salary increases changed to 3.30% to 11.55%, varying by service in 2019 compared to 4.00% average in 2018.

# Family Health Centers, Inc.
# A Component Unit of the Louisville Metro Board of Health
## Schedules of Required Supplementary Information
## Schedule of the Health Center's Proportionate Share of the Net Other Postemployment Benefits (OPEB) Liability
## County Employees' Retirement System
## Years Ended December 31, 2019 and 2018

| | 2019 | 2018 |
|---|---|---|
| Health Center's proportion of the net OPEB liability | 0.666533% | 0.670464% |
| Health Center's proportionate share of the net OPEB liability | $ 11,210,785 | $ 11,903,955 |
| Health Center's covered-employee payroll | $ 17,179,075 | $ 17,236,494 |
| Health Center's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll | 65.26% | 69.08% |
| OPEB plan fiduciary net position as a percentage of the total OPEB liability | 60.44% | 57.62% |

The amounts presented for the fiscal year were determined as of the June 30, measurement date.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

The salary increases rate was changed to 3.30% to 10.30% varying by service at June 30, 2019, from 3.05% average at June 30, 2018.

# Family Health Centers, Inc.
# A Component Unit of the Louisville Metro Board of Health
### Schedules of Required Supplementary Information
### Schedule of the Health Center's Other Postemployment Benefits (OPEB) Contributions County Employees' Retirement System
### Years Ended December 31, 2019 and 2018

| | 2019 | 2018 |
|---|---|---|
| Statutorily determined contribution | $ 855,808 | $ 839,511 |
| Health Center's contributions in relation to the statutorily determined contribution | 849,122 | 836,158 |
| Contribution deficiency (excess) | $ 6,686 | $ 3,353 |
| Covered-employee payroll | $ 16,080,761 | $ 15,891,490 |
| Contributions as a percentage of covered-employee payroll | 5.28% | 5.26% |

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

***Change in Actuarial Assumptions***

The payroll growth rate decreased to 2.0% for 2019 from 4.0% in 2018. The inflation rate decreased to 2.30% for 2019 compared to 3.25% in 2018. In addition, the salary increases changed to 3.30% to 11.55% varying by service for 2019 compared to 4.00% average in 2018. The healthcare trend rates (pre-65) decreased to 7.25% in 2019 from 7.50% in 2018 with ultimate trend rate decreased to 4.05% for 2019 compared to 5.00% in 2018. The healthcare trend rates (post-65) decreased to 5.10% for 2019 from 5.50% in 2018 with ultimate trend rate decreased to 4.05% for 2019 compared to 5.00% in 2018.

# Supplementary Information

# Family Health Centers, Inc.
# A Component Unit of the Louisville Metro Board of Health
## Schedule of Expenditures of Federal Awards
## Year Ended December 31, 2019

| Federal Grantor/Pass-Through Grantor/Program or Cluster Title | Federal CFDA Number | Pass-Through Entity Identifying Number | Passed Through to Subrecipients | Total Federal Expenditures |
|---|---|---|---|---|
| **Community Health Center Program Cluster** | | | | |
| U.S. Department of Health and Human Services/ Community Health Center Cluster | 93.224 | 6 H80CS00102-09-01 | $ - | $ 2,014,411 |
| U.S. Department of Health and Human Services/ *Affordable Care Act* (ACA) Grants for New and Expanded Services under the Health Center Program Cluster | 93.527 | 6 H80CS00102-09-01 | - | 5,046,284 |
| **Subtotal Community Health Center Program Cluster** | | | - | 7,060,695 |
| U.S. Department of Housing and Urban Development/ Supportive Housing Program/St. Vincent dePaul | 14.235 | KY36B70-1001 | - | 171,824 |
| U.S. Department of Housing and Urban Development/ Supportive Housing Program/St. Vincent dePaul | 14.235 | FR-6000-N-25 | - | 161,879 |
| U.S. Department of Housing and Urban Development/ Supportive Housing Program/Louisville Alliance for Supportive Housing/Kentucky Housing Corp | 14.235 | KY0124B41011100 | - | 70,906 |
| Subtotal | | | - | 404,609 |
| U.S. Department of Health and Human Services/The Commonwealth of Kentucky Louisville Metro Health Department/Family Planning Services | 93.217 | 5FPHPA040612-38 | - | 654,897 |
| U.S. Department of Housing and Urban Development/ Louisville Metro Housing and Community Development/Block Grant – Entitlement Grant Cluster | 14.218 | B-10-MC-21-0008 | - | 116,954 |
| U.S. Department of Housing and Urban Development/ Louisville Metro Housing and Community Development Department/Emergency Shelter Grant | 14.231 | B-10-MC-21-0008 | - | 63,161 |
| U.S. Department of Housing and Urban Development/ Common Assessment Grant | 14.267 | KY0129L41011200 | - | 212,897 |
| | | | $ - | $ 8,513,213 |

### *Notes to the Schedule of Expenditures of Federal Awards*

1. The accompanying schedule of expenditures of federal awards (Schedule) includes the federal award activity of the Health Center under programs of the federal government for the year ended December 31, 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 Health Center, it is not intended to, and does not, present the financial position, changes in net position or cash flows of the Health Center.

2. Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The Health Center has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

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

## Independent Auditor's Report

Board of Governors
Family Health Centers, Inc.
A Component Unit of the
Louisville Metro Board of Health
Louisville, Kentucky

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Family Health Centers, Inc. (Health Center), which comprise the balance sheet as of December 31, 2019, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended and the related notes to the financial statements, and have issued our report thereon dated September 2, 2020.

## Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Health Center'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 the Health Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Health Center'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 the Health Center's financial statements are free of 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BKD, LLP

Louisville, Kentucky
September 2, 2020

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# Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance

## Independent Auditor's Report

Board of Governors
Family Health Centers, Inc.
A Component Unit of the
Louisville Metro Board of Health
Louisville, Kentucky

## Report on Compliance for Each Major Federal Program

We have audited Family Health Center's (Health Center) compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on the Health Center's major federal program for the year ended December 31, 2019. The Health Center'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 the Health Center's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Health Center's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination on the Health Center's compliance.

### *Opinion on Each Major Federal Program*

In our opinion, The Health Center complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2019.

## Report on Internal Control over Compliance

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

BKD, LLP

Louisville, Kentucky
September 2, 2020

# Family Health Centers, Inc.
# A Component Unit of the Louisville Metro Board of Health
## Schedule of Findings and Questioned Costs
## Year Ended December 31, 2019

### *Summary of Auditor's Results*

*Financial Statements*

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

   ☒ Unmodified ☐ Qualified ☐ Adverse ☐ Disclaimer

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

   Significant deficiency(ies)? ☐ Yes ☒ None Reported

   Material weakness(es)? ☐ Yes ☒ No

3. Noncompliance considered material to the financial statements was disclosed by the audit? ☐ Yes ☒ No

*Federal Awards*

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

   Significant deficiency(ies)? ☐ Yes ☒ None Reported

   Material weakness(es)? ☐ Yes ☒ No

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

   ☒ Unmodified ☐ Qualified ☐ Adverse ☐ Disclaimer

6. The audit disclosed findings required to be reported by 2 CFR 200.516(a)? ☐ Yes ☒ No

7. The Health Center's major program was:

| Cluster/Program | CFDA Number |
|---|---|
| Community Health Center Program Cluster | 93.224, 93.527 |

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

9. The Health Center qualified as a low-risk auditee? ☒ Yes ☐ No

# Family Health Centers, Inc.
# A Component Unit of the Louisville Metro Board of Health
## Schedule of Findings and Questioned Costs (Continued)
## Year Ended December 31, 2019

***Findings Required to be Reported by Government Auditing Standards***

| Reference Number | Finding |
|---|---|
| | No matters are reportable. |

***Findings Required to be Reported by the Uniform Guidance***

| Reference Number | Finding |
|---|---|
| | No matters are reportable. |

# Family Health Centers, Inc.
# A Component Unit of the Louisville Metro Board of Health
## Summary Schedule of Prior Audit Findings
## Year Ended December 31, 2019

| Reference Number | Summary of Finding | Status |
|---|---|---|
| | No matters are reportable. | |