

Hilltown Community Health Center

Board of Directors Meeting

June 10, 2021

<https://hchcweb-org.zoom.us/j/97600369054?pwd=b2cyeUtmDHNIcGN1R2hINEpWU90QT09>

Meeting ID: 976 0036 9054

Passcode: 627611

5:30 p.m. – 6:50 p.m.

AGENDA

<u>Time</u>	<u>Topic</u>	<u>Purpose</u>	<u>Presenter</u>
5:30 PM	Call to Order and Approval of Minutes	Vote Needed	Lee Manchester
5:35 PM	Auditors' Report	Vote Needed	Adelson & Co.
5:50 PM	Finance Committee Report	Vote Needed	John Follet, Treasurer
6:05 PM	Committee Reports	Vote Needed	
	<ul style="list-style-type: none">Executive CommitteeFundraising CommitteePersonnelFacilitiesRecruitment Orientation and NominationStrategic Planning		Lee Manchester Nancy Brenner John Follet Alan Gaitenby Wendy Long Nancy Brenner
6:20 PM	Senior Management Reports		
	<ul style="list-style-type: none">Credentialing and Privileging ReportQuality Improvement ReportRisk ManagementCEO Report	Vote Needed Vote Needed Vote Needed Inform/Discussion	Michael Purdy Vickie Dempsey Michael Purdy Eliza Lake
6:45 PM	New Business		
6:45 PM	Old Business		
	<ul style="list-style-type: none">Approval of H8F American Rescue Plan Act budget – Vote completed May 26, 2021 by email	Inform	Eliza Lake
6:50 PM	Adjourn	Vote Needed	Lee Manchester

Upcoming Meetings

- Thursday, July 8, 2021 at 5:30 PM via Zoom
- Thursday, August 12, 2021 at 5:30 PM via Zoom
- Thursday, September 9, 2021 at 5:30 PM via Zoom

HCHC BOARD OF DIRECTORS MEETING

Date/Time: 5/13/2021 5:30pm

Zoom Meeting

MEMBERS: Lee Manchester, President; John Follet, Vice President and Treasurer; Alan Gaitenby; Wendy Long; Seth Gemme; Nancy Brenner; Kathryn Jensen, Clerk; Matt Bannister

STAFF: Eliza Lake, CEO; Michael Purdy, CCCSO; John Melehov, CFO; Vickie Dempsey, COO; Tabitha Griswold, Executive Assistant

ABSENT: Jennica Gallagher; Deb Leonczyk

Agenda Item	Summary of Discussion	Decisions/ Next Steps/ Person Responsible Due Date
Review of Minutes 4/8/2021	<p>Lee Manchester called the meeting to order at 5:32 pm.</p> <p>Lee Manchester noted that he called the April meeting to order not John Follet, and that there was in fact an executive session called to order. Those changes will be made to the April minutes. There was no further discussion or amendments needed to the April minutes.</p> <p>Matt Bannister moved to approve the April minutes as amended. Alan Gaitenby seconded the motion. Wendy Long abstained as she was not present for last month's meeting.</p>	The Board voted unanimously to approve the April 8, 2021 Board minutes as amended.
Finance Committee	<ul style="list-style-type: none">John Follet reported on the Interim Financial Statement for March. There was overall \$10K net income for the month and the cash position remains strong due to grant funding. The income statement shows some gain in patient revenue for clinical departments, however compared to 2019 financials the revenue is still much less. John Melehov prepared a comparison from the first quarter of 2021 versus the first quarter of 2019. This comparison shows that behavioral health and pharmacy revenue are doing much better than even YTD 2019 patient revenue. John noted that the revenue from pharmacy will start to increase more as the referral loop	The Board voted unanimously to approve the Finance Committee report.

	<p>closes. The salary expenses are tracking right on budget, however with new providers being hired, there will be a slight increase in the future. John noted that there is a noticeable decrease in the cash on hand; this is primarily due to the timing of payroll. However, in general the finances are still in good shape with a ratio of 3.30%.</p> <ul style="list-style-type: none"> • Eliza Lake will talk more about the 70 Worthington Rd project in the CEO report. The Finance Committee discussed the current owner's rebuttals and the arrangements being made to accommodate their requests in the purchase and sale agreement. • John Melehov reported that the current audit firm contract is coming to an end. Bids for other audit firms are going out to three firms. Overall, John will be looking for efficiency and reasonable prices when reviewing the bids. • The Finance Committee voted to approve the purchase of the outdated computer server in Worthington for a price of \$78K. These servers will last about 5-10 years. This does not address the issue with having separate servers at all sites. Purchasing servers for each site is something that may be considered in the future. <p>Kathryn Jensen moved to approve the Finance Committee report. Nancy Brenner seconded the motion.</p>	
Staff Presentation	<ul style="list-style-type: none"> • Patti McManamy, LICSW, Mary Krol, Domestic Violence Advocate for Hilltown Safety at Home and Kim Savery, Director of Community Programs were introduced to the Board. Patti provides the clinical supervision for the Domestic Violence Team. Patti provided a presentation on "Helping Clients Who are Living with Domestic Violence" and the work done by the Hilltown Safety at Home team. Mary presented a snapshot of the frontline work being done by the Domestic Violence Advocates during the progression of the COVID-19 pandemic. 	
Executive Committee	<ul style="list-style-type: none"> • Lee Manchester reported that the committee has not met. 	

Recruitment, Orientation & Nominating (RON) Committee	<ul style="list-style-type: none"> Wendy Long reported that the committee met with Eliza and Tabitha. During this meeting, the Board policies on recruitment and orientation were reviewed and updated. Wendy is expected to interview three perspective members soon. Wendy has reached out to officers and members with expiring terms regarding renewals. 	
Facilities Committee	<ul style="list-style-type: none"> Alan Gaitenby reported that this committee has not met. However, the air conditioning has been installed for the dental wing in Huntington. 	
Personnel Committee	<ul style="list-style-type: none"> John Follet reported that this committee has not met. 	
Strategic Planning	<ul style="list-style-type: none"> Nancy reported that the committee has not met. Eliza and Nancy have determined that developing a strategic plan will be put on hold due to the rapidly changing grant opportunities, and the opportunities that they provide potentially changing organizational priorities. There was no objection or further discussion by the members presented on putting strategic planning on hold at this time. 	
Fundraising Committee	<ul style="list-style-type: none"> Nancy Brenner reported that the committee has not met. However, the committee is re-thinking how to fundraise with the various grant funds also available to HCHC. The annual report is still on track to be completed by June. Alex is looking at capitol campaigning for the purchase of 70 Worthington Road. The structure is being developed to kick this off when it is appropriate. 	
Committee Reports	<ul style="list-style-type: none"> John Follet moved that the Committee reports be approved. Nancy Brenner seconded the motion. 	The Board voted unanimously to approve the Committee Reports.
Credentialing/Privileging Report	<ul style="list-style-type: none"> Michael Purdy presented the following new employees that were credentialed and privileged: <ul style="list-style-type: none"> Carol Sanderson, RN (Vaccination Clinic Only) Marci Yoss, Quality Improvement Specialist Crystal Tuff, DA Intern Jose Aguilar, Psych NP Briena Hogan, Student Shadowing 	The Board voted unanimously to approve the credentialing and privileging of the slate of employees presented.

	<ul style="list-style-type: none"> Eliza's request to accept the nomination to the Mass Budget and Policy Center Board with her title at CEO of HCHC was approved by the Board. This organization's mission and HCHC's mission are aligned, and Eliza would represent rural Western Mass. The Board meets quarterly, and with an impressive group of professionals. There was no further discussion nor objections. 	
Staff Recognition	<ul style="list-style-type: none"> Vickie recognized Amber Goulet, BH Coordinator. Franny Huberman, Director of BH spoke of Amber's accomplishments. Amber has been able to navigate the new challenges of the COVID-19 Pandemic and the transition to telehealth. She has been a calm, and always available with a quick response to her co-workers. 	
New Business	<ul style="list-style-type: none"> Vickie reported that the only changes made to the Quality Improvement Policy was that the COO is now the chair instead of the CCCSO. Wendy noted that the QI Coordinator should be added to the list of permanent members. This change will be made. <p>John Follet motioned to approve the QI Policy as amended and Nancy Brenner seconded the motion.</p> <ul style="list-style-type: none"> Eliza presented the change of scope needed to provide psychiatric care in-house, with the hiring of Jose Aguilar, NP, as opposed to current practice of providing the service through formal written referral agreements. She requested that the Board vote to approve a change to HCHC's Form 5A, Additional Services by adding Psychiatric Services to Column I. <p>Alan Gaitenby moved approve HCHC's submission of the change of scope and Wendy seconded.</p> <ul style="list-style-type: none"> Eliza presented a service area analysis for HCHC, based on the 2020 UDS ZIP Code data, that defines HCHC's Service Area. HCHC patients from the towns included comprise 74.8% of HCHC's patient population. This is the same service area as served in the past, with no changes noted. 	<p>The Board voted unanimously to approve the QI policy as amended.</p> <p>The Board voted unanimously to approve adding Psychiatric Services to Column I of HCHC's Form 5A.</p> <p>The Board voted unanimously to approve the service area analysis and adopt the Service Area definition.</p>

	<p>Alan Gaitenby motioned to approve the service area analysis as presented and Nancy Brenner seconded the motion.</p> <ul style="list-style-type: none"> • Annual Meeting will be held June 10th via Zoom. There will be two separate agendas for the regular meeting and the annual meeting. • Eliza and Tabitha have been working on the board portal and changes will be coming soon to the interface of the site. Tabitha will present when those changes are made. 	
Old Business	<ul style="list-style-type: none"> • Eliza provided an update on the 70 Worthington Road project in her CEO Report presentation, attached to these minutes. 	
Executive Session	Executive session was called to order.	
Adjourn	<p>John Follet moved the meeting be adjourned. Matt Bannister seconded the motion.</p> <p>The meeting was adjourned at 7:45 pm. The next scheduled meeting will be June 11, 2021 to run before the Annual Report Meeting via Zoom.</p>	The Board voted unanimously to approve adjournment.

Respectfully submitted,
Tabitha Griswold, Executive Assistant



Hilltown Community Health Center

Interim Financial Statement Presentation

April 2021 - Presented 6/9/2021

Highlights

- ▶ **\$198K** Net Income
- ▶ **\$182K** positive cash flow
- ▶ Medical and Optometry increased billings month over month
- ▶ Cash position remains strong

Income Statement

	Jan Actual	Feb Actual	Mar Actual	Apr Actual	YTD Total Actual	PY YTD Actual	\$ Change	% Change		YTD Feb Budget	Variance	%
OPERATING ACTIVITIES												
Revenue												
Patient Services - Medical	\$135,440	\$144,778	\$192,632	\$202,177	\$675,027	\$641,680	\$33,347	5%		\$641,477	\$33,550	5%
Patient Services - Dental	\$106,182	\$97,030	\$137,833	\$118,194	\$459,239	\$356,701	\$102,538	29%		\$406,728	\$52,511	13%
Patient Services - Beh. Health	\$36,624	\$35,380	\$44,740	\$42,979	\$159,722	\$137,091	\$22,632	17%		\$139,117	\$20,605	15%
Patient Services - Optometry	\$9,337	\$8,577	\$11,981	\$12,558	\$42,453	\$48,746	(\$6,293)	-13%		\$63,735	(\$21,282)	-33%
Patient Services - Optometry Hardware	\$6,162	\$6,444	\$8,379	\$7,537	\$28,522	\$18,832	\$9,689	51%		\$27,815	\$707	3%
Patient Services - Pharmacy	\$37,224	\$35,267	\$21,233	\$38,116	\$131,839	\$43,272	\$88,567	205%		\$216,667	(\$84,827)	-39%
Quality & Other Incentives	\$3,776	\$9,268	\$6,325	\$80	\$19,449	\$25,225	(\$5,776)	-23%		\$21,533	(\$2,084)	-10%
HRSA 330 & Other Grant	\$261,014	\$215,010	\$212,593	\$477,985	\$1,166,602	\$640,675	\$525,927	82%		\$606,566	\$560,035	92%
Other Grants & Contracts	\$49,817	\$119,646	\$107,004	\$113,668	\$390,136	\$473,689	(\$83,553)	-18%		\$648,067	(\$257,931)	-40%
Int., Dividends Gain /Loss Investmenst	(\$465)	\$11,231	\$9,823	\$16,568	\$37,156	(\$37,696)	\$74,852	199%		\$11,788	\$25,368	215%
Rental & Misc. Income	\$2,577	\$2,567	\$2,577	\$2,938	\$10,660	\$11,167	(\$507)	-5%		\$5,042	\$5,617	111%
Total Operating Revenue	\$647,688	\$685,199	\$755,120	\$1,032,797	\$3,120,805	\$2,359,381	\$761,423	32%		\$2,788,536	\$332,269	12%

- ▶ Medical & Optometry increased billings
- ▶ Pharmacy slightly rebounded in April. Large increase seen in May
- ▶ Grant/PPP coordination with continue throughout 2021
 - ▶ 330 Billings account for a large share of income

YTD 2021 vs 2019

OPERATING ACTIVITIES				Jan - April 2021	Jan - April 2019	Difference	%
Revenue							
	Patient Services - Medical			\$675,027	\$882,540	(\$207,513)	-24%
	Patient Services - Dental			\$459,239	\$664,553	(\$205,314)	-31%
	Patient Services - Beh. Health			\$159,722	\$116,806	\$42,917	37%
	Patient Services - Optometry			\$42,453	\$68,420	(\$25,967)	-38%
	Patient Services - Optometry Hardware			\$28,522	\$33,751	(\$5,229)	-15%
	Patient Services - Pharmacy			\$131,839	\$28,118	\$103,721	369%
	Quality & Other Incentives			\$19,449	\$17,991	\$1,458	8%
	HRSA 330 & Other Grant			\$1,166,602	\$509,091	\$657,511	129%
	Other Grants & Contracts			\$390,136	\$281,044	\$109,092	39%
	Int., Dividends Gain /Loss Investmenst			\$37,156	\$40,639	(\$3,483)	-9%
	Rental & Misc. Income			\$10,660	\$9,996	\$663	7%
	Total Operating Revenue			\$3,120,805	\$2,652,950	\$467,855	18%

	Jan Actual	Feb Actual	Mar Actual	Apr Actual	YTD Total Actual	PY YTD Actual	\$ Change	% Change		YTD Feb Budget	Variance	%
Compensation and related expenses												
Salaries and wages	(\$443,161)	(\$433,354)	(\$454,897)	(\$518,263)	(\$1,849,675)	(\$1,572,702)	(\$276,973)	-18%		(\$1,745,286)	(\$104,389)	-6%
Payroll taxes	(\$33,016)	(\$32,472)	(\$34,730)	(\$40,583)	(\$140,801)	(\$118,240)	(\$22,561)	-19%		(\$164,830)	\$24,030	15%
Fringe benefits	(\$47,695)	(\$42,289)	(\$44,019)	(\$44,255)	(\$178,257)	(\$134,880)	(\$43,378)	-32%		(\$157,870)	(\$20,387)	-13%
Total Compensation & related exp	(\$523,873)	(\$508,115)	(\$533,645)	(\$603,101)	(\$2,168,733)	(\$1,825,821)	(\$342,913)	-19%		(\$2,067,987)	(\$100,746)	-5%

- Salaries over budget as hiring continues

	Jan Actual	Feb Actual	Mar Actual	Apr Actual	YTD Total Actual	PY YTD Actual	\$ Change	% Change		YTD Feb Budget	Variance	%
Other Operating Expenses												
Advertising and marketing	(\$10)	(\$223)	\$0	(\$500)	(\$733)	(\$99)	(\$634)	-640%		(\$2,468)	\$1,735	70%
Bad debt	(\$10,871)	(\$7,853)	(\$8,793)	(\$11,750)	(\$39,268)	(\$13,134)	(\$26,134)	-199%		(\$26,601)	(\$12,667)	-48%
Computer support	(\$8,840)	(\$15,246)	(\$7,868)	(\$17,719)	(\$49,674)	(\$44,304)	(\$5,370)	-12%		(\$43,935)	(\$5,739)	-13%
Conference and meetings	(\$2,087)	(\$440)	(\$1,910)	(\$35)	(\$4,472)	(\$123)	(\$4,349)	-3528%		(\$2,613)	(\$1,859)	-71%
Continuing education	(\$1,522)	(\$7,870)	(\$281)	(\$5,171)	(\$14,845)	(\$3,460)	(\$11,384)	-329%		(\$12,000)	(\$2,845)	-24%
Contracts and consulting	(\$13,540)	(\$8,482)	(\$12,971)	(\$10,791)	(\$45,784)	(\$69,481)	\$23,696	34%		(\$44,400)	(\$1,384)	-3%
Depreciation and amortization	(\$26,315)	(\$26,315)	(\$26,315)	(\$26,315)	(\$105,262)	(\$114,177)	\$8,916	8%		(\$114,177)	\$8,916	8%
Dues and membership	(\$6,731)	(\$1,857)	(\$4,579)	(\$4,841)	(\$18,007)	(\$10,481)	(\$7,526)	-72%		(\$16,242)	(\$1,765)	-11%
Equipment leases	(\$1,535)	(\$3,829)	(\$2,126)	(\$1,131)	(\$8,621)	(\$8,465)	(\$156)	-2%		(\$8,888)	\$267	3%
Insurance	(\$2,206)	(\$2,319)	(\$2,330)	(\$2,364)	(\$9,220)	(\$8,724)	(\$496)	-6%		(\$8,786)	(\$434)	-5%
Interest	(\$354)	(\$350)	(\$313)	(\$342)	(\$1,359)	(\$5,013)	\$3,654	73%		(\$1,453)	\$94	6%
Legal and accounting	(\$2,630)	(\$4,167)	(\$2,501)	(\$2,508)	(\$11,807)	(\$10,126)	(\$1,681)	-17%		(\$13,952)	\$2,145	15%
Licenses and fees	(\$5,283)	(\$1,628)	(\$2,347)	(\$6,149)	(\$15,407)	(\$17,970)	\$2,563	14%		(\$15,700)	\$293	2%
Medical & dental lab and supplies	(\$6,811)	(\$7,785)	(\$7,342)	(\$12,376)	(\$34,314)	(\$26,981)	(\$7,333)	-27%		(\$30,753)	(\$3,561)	-12%
Merchant CC Fees	(\$136)	(\$1,601)	(\$1,403)	(\$1,542)	(\$4,682)	(\$6,794)	\$2,112	31%		(\$4,806)	\$124	3%
Office supplies and printing	(\$4,214)	(\$1,759)	(\$6,798)	(\$1,340)	(\$14,111)	(\$14,443)	\$332	2%		(\$19,543)	\$5,432	28%
Postage	(\$2,189)	(\$1,701)	(\$165)	(\$63)	(\$4,119)	(\$4,559)	\$440	10%		(\$5,600)	\$1,481	26%
Program supplies and materials	(\$15,432)	(\$10,809)	(\$31,160)	(\$31,302)	(\$88,704)	(\$53,235)	(\$35,469)	-67%		(\$77,000)	(\$11,704)	-15%
Pharmacy & Optometry COGS	\$426	(\$14,659)	(\$9,127)	(\$10,043)	(\$33,403)	(\$27,427)	(\$5,976)	-22%		(\$97,908)	\$64,504	66%
Recruitment	\$0	(\$5,040)	\$0	\$0	(\$5,040)	(\$4,666)	(\$374)	-8%		\$0	(\$5,040)	
Rent	(\$9,927)	(\$9,227)	(\$10,053)	(\$12,919)	(\$42,126)	(\$32,578)	(\$9,548)	-29%		(\$34,398)	(\$7,728)	-22%
Repairs and maintenance	(\$17,864)	(\$17,421)	(\$15,978)	(\$21,441)	(\$72,704)	(\$59,324)	(\$13,379)	-23%		(\$58,570)	(\$14,134)	-24%
Small equipment purchases	(\$7,898)	(\$1,595)	(\$38,441)	(\$30,619)	(\$78,553)	(\$2,968)	(\$75,585)	-2547%		(\$17,294)	(\$61,260)	-354%
Telephone	(\$11,151)	(\$13,513)	(\$14,943)	(\$13,888)	(\$53,495)	(\$54,422)	\$927	2%		(\$57,603)	\$4,108	7%
Travel	(\$619)	(\$572)	(\$1,258)	(\$2,971)	(\$5,419)	(\$4,874)	(\$545)	-11%		(\$8,000)	\$2,581	32%
Utilities	(\$5,193)	(\$7,258)	(\$4,052)	(\$3,808)	(\$20,311)	(\$16,525)	(\$3,786)	-23%		(\$19,000)	(\$1,311)	-7%
Total Other Operating Expenses	(\$162,934)	(\$173,520)	(\$213,057)	(\$231,929)	(\$781,440)	(\$614,352)	(\$167,088)	-27%		(\$741,692)	(\$39,748)	-5%
NET OPERATING SURPLUS	(\$39,118)	\$3,564	\$8,418	\$197,767	\$170,631	(\$80,792)	\$251,423	311%		(\$21,143)	\$191,774	907%
NON-OPERATING ACTIVITIES												
Donations, Pledges & Contributions	\$1,870	\$1,549	\$640	\$50	\$4,109	\$70,856	(\$66,747)	-94%		\$35,000	(\$30,891)	-88%
NET NON-OPERATING SURPLUS	\$1,870	\$1,549	\$640	\$50	\$4,109	\$70,856	(\$66,747)	-94%		\$35,000	(\$30,891)	-88%
NET SURPLUS/(DEFICIT)	(\$37,248)	\$5,113	\$9,058	\$197,817	\$174,740	(\$9,936)	\$184,676	1859%		\$13,857	\$160,883	1161%

- Surplus in April = \$198k
- Reasonably close to Net Budget

Cash Flow

CASH FLOWS FROM OPERATING ACTIVITIES		
	NET SURPLUS/(DEFICIT) FOR PERIOD	197,817
ADJUSTMENTS TO RECONCILE NET INCOME TO NET CASH		
PROVIDED (USED) BY OPERATING ACTIVITIES		
	NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	189,943
CASH FLOWS FROM INVESTING ACTIVITIES		
	NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(7,752)
	NET INCREASE/(DECREASE) IN CASH	182,191
	CASH AND CASH EQUIVALENTS AS OF 4/1/2021	3,127,109
	CASH AND CASH EQUIVALENTS AS OF 4/30/2021	3,309,299

- Cash on hand increased **\$182K**

Balance Sheet

ASSETS		
Current Assets		
	Total Current Assets	\$3,429,827
	Net Property & Equipment	\$3,952,622
	Total Other Assets	\$392,921
	TOTAL ASSETS	\$7,775,370
Liabilities & Fund Balance		
	Total Current Liabilities	\$2,281,022
	Total Long Term Liabilities	\$125,725
	Total Liabilities	\$2,406,748
Fund Balance / Equity		
	Fund Balance Prior Years	\$5,368,622
	Total Fund Balance / Equity	\$5,368,622
	Total Liabilities & Fund Balance	\$7,775,370

▶ Current Assets = **\$3.4 M**

▶ Current Liabilities = **\$1.1 M** (PPP improperly included as current in statement)

▶ Current Ratio = **3.1**



Adelson & Company PC

CERTIFIED PUBLIC ACCOUNTANTS

Established 1938

AUDIT | TAX | ADVISORY

Gary J. Moynihan, CPA
 Carol J. Leibinger-Healey, CPA
 David M. Irwin, Jr., CPA
 Allison L. Bedard, CPA
 Of Counsel:
 Richard F. LaFleche, CPA
 Vincent T. Viscuso, CPA

June __, 2021

To the Audit Committee
 HILLTOWN COMMUNITY HEALTH CENTERS, INC.
 58 Old North Road
 Worthington, MA 01098

We have audited the financial statements of Hilltown Community Health Centers, Inc. for the year ended December 31, 2020, and we will issue our report thereon dated June __, 2021. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you dated January 11, 2021. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Hilltown Community Health Centers, Inc. are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2020. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Management's estimate of the allowance for uncollectible receivables is based on historical collection rates and an analysis of the collectibility of individual receivables. We evaluated the key factors and assumptions used to develop the allowance in determining that it is reasonable in relation to the financial statements taken as a whole.

Depreciation expense on fixed assets which is based upon straight line depreciation calculated over the estimated useful lives of the assets. We evaluated the key factors and assumptions used to develop these estimates and determined that the amounts appear reasonable in relation to the financial statements taken as a whole.

Functional allocation of expenses and indirect cost allocation.

The costs of providing program and support activities are summarized on a functional basis in the Statement of Activities. Certain costs are allocated using management's estimates. We evaluated the key factors and assumptions used to develop this estimate and determined that the amounts appear reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole. There were no material audit adjustments proposed by us.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated June ___, 2021.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

We have reported to management and to the Board of Directors that there is a significant deficiency in the Organization's internal controls over the Universal Data System Report. This is reported in the Statement of Findings and Questioned Costs in our audit report as item 2020-001.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Audit Committee, Board of Directors, and management of Hilltown Community Health Centers, Inc. and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

ADELSON & COMPANY PC

HILLTOWN COMMUNITY HEALTH CENTERS, INC.

**Financial Statements and
Supplementary Information**

December 31, 2020

Table of Contents

Independent Auditors' Report	2 - 3
Statement of Financial Position	4
Statement of Activities	5
Statement of Functional Expenses	6
Statement of Cash Flows	7
Notes to Financial Statements	8 - 18
Supplementary Information	
Schedule of Expenditures of Federal Awards	19
Notes to Schedule of Expenditures of Federal Awards	20
Independent Auditors' 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	21 - 22
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required By The Uniform Guidance	23 - 25
Schedule of Findings and Questioned Costs	26 - 28



Adelson & Company PC

CERTIFIED PUBLIC ACCOUNTANTS

Established 1938

AUDIT | TAX | ADVISORY

Gary J. Moynihan, CPA
 Carol J. Leibinger-Healey, CPA
 David M. Irwin, Jr., CPA
 Allison L. Bedard, CPA
 Of Counsel:
 Richard F. LaFleche, CPA
 Vincent T. Viscuso, CPA

INDEPENDENT AUDITORS' REPORT

To the Officers and Directors of
HILLTOWN COMMUNITY HEALTH CENTERS, INC.
 58 Old North Road
 Worthington, MA 01098

Report on the Financial Statements

We have audited the accompanying financial statements of Hilltown Community Health Centers, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 auditors' 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 Hilltown Community Health Centers, Inc. as of December 31, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on pages 19 - 28 is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects, in relation to the financial statements as a whole.

Report on Summarized Comparative Information

We have previously audited Hilltown Community Health Centers, Inc.'s 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 20, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June __, 2021, on our consideration of Hilltown Community Health Centers, Inc.'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 Hilltown Community Health Centers, Inc.'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 Hilltown Community Health Centers, Inc.'s internal control over financial reporting and compliance.

ADELSON & COMPANY PC

June __, 2021

HILLTOWN COMMUNITY HEALTH CENTERS, INC.**STATEMENT OF FINANCIAL POSITION****DECEMBER 31,**

	2020	Comparative 2019
ASSETS		
Current assets		
Cash and equivalents	\$ 1,320,995	\$ 188,456
Accounts receivable - patient services, net	355,010	381,527
Campaign pledges receivable	2,810	13,410
Contracts and grants receivable	505,706	173,844
Inventory	9,863	11,684
Prepaid expenses	39,590	22,557
Total current assets	2,233,974	791,478
Investments	345,897	300,689
Property and equipment, net	3,981,844	4,322,381
Farmers Home Administration escrow	---	24,240
Cash restricted in perpetuity	---	29,469
TOTAL ASSETS	\$ 6,561,715	\$ 5,468,257
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 179,750	\$ 202,877
Accrued expenses	504,090	385,500
Deferred contract revenue	179,423	54,049
Deferred insurance revenue	372,596	143,172
Notes payable due within one year	18,666	32,248
Total current liabilities	1,254,525	817,846
Long-term debt, less current portion	113,285	281,441
TOTAL LIABILITIES	1,367,810	1,099,287
Net assets		
Without donor restrictions	5,191,095	4,317,367
With donor restrictions	2,810	51,603
Total net assets	5,193,905	4,368,970
TOTAL LIABILITIES AND NET ASSETS	\$ 6,561,715	\$ 5,468,257

See notes to financial statements.

HILLTOWN COMMUNITY HEALTH CENTERS, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31,

	Without Donor Restrictions	With Donor Restrictions	Total 2020	Comparative Total 2019
OPERATING ACTIVITIES				
REVENUE AND SUPPORT				
Patient fees, net	\$ 3,316,806	\$ ---	\$ 3,316,806	\$ 4,988,618
Federal and state grants	4,115,630	---	4,115,630	2,046,192
Optometry hardware income, net	36,823	---	36,823	69,787
Pharmacy income, net	297,944	---	297,944	123,623
Other grants and contributions	901,158	---	901,158	811,722
Forgiveness of rent obligation	---	---	---	52,912
Interest and dividends	5,630	---	5,630	7,017
Other revenue	33,115	---	33,115	57,089
TOTAL REVENUE AND SUPPORT	8,707,106	---	8,707,106	8,156,960
EXPENSES				
Program services	6,479,770		6,479,770	7,073,546
Management and general	1,433,160		1,433,160	1,084,303
Fund-raising	18,723		18,723	32,652
TOTAL EXPENSES	7,931,653		7,931,653	8,190,501
CHANGE IN NET ASSETS FROM OPERATING ACTIVITIES	775,453	---	775,453	(33,541)
NON-OPERATING ACTIVITIES				
Capital grants and contributions	---	---	---	51,634
Investment return (loss)	50,182	---	50,182	57,921
Loss on sale of fixed assets	(700)	---	(700)	---
Net assets reclassified to without donor restrictions	38,193	(38,193)	---	---
Net assets released from restrictions	10,600	(10,600)	---	---
TOTAL NON-OPERATING ACTIVITIES	98,275	(48,793)	49,482	109,555
CHANGE IN NET ASSETS	873,728	(48,793)	824,935	76,014
Net assets, beginning	4,317,367	51,603	4,368,970	4,292,956
NET ASSETS, ENDING	\$ 5,191,095	\$ 2,810	\$ 5,193,905	\$ 4,368,970

See notes to financial statements.

HILLTOWN COMMUNITY HEALTH CENTERS, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31,

	Program Services	Management and General	Fund-raising	Total 2020	Comparative Total 2019
Compensation and related expenses					
Salaries and wages	\$ 4,100,356	\$ 772,073	\$ 12,955	\$ 4,885,384	\$ 5,445,236
Payroll taxes	379,938	48,844	610	429,392	417,141
Fringe benefits	378,160	223,810	898	602,868	463,250
Total	4,858,454	1,044,727	14,463	5,917,644	6,325,627
Advertising and marketing	716	1,129	---	1,845	11,160
Bad debts (recoveries)	(21,201)	---	---	(21,201)	103,639
Computer support	87,687	26,803	240	114,730	77,678
Conferences and meetings	8,501	2,857	58	11,416	11,245
Continuing education	10,430	1,444	---	11,874	29,349
Contracted labor and consulting	233,931	63,805	---	297,736	74,449
Depreciation	294,617	47,655	---	342,272	339,218
Dues and membership	9,831	31,829	3,267	44,927	34,128
Equipment leases	17,274	5,663	---	22,937	27,329
Insurance	16,980	9,306	---	26,286	25,330
Interest	9,083	1,603	---	10,686	15,800
Legal and accounting	---	38,722	---	38,722	34,667
Licenses and fees	34,895	13,720	695	49,310	46,029
Medical and dental lab and supplies	126,169	---	---	126,169	193,496
Merchant CC Fees	864	14,292	---	15,156	19,296
Office supplies and printing	30,699	30,354	---	61,053	40,100
Postage	1,925	12,666	---	14,591	17,616
Program supplies and materials	227,717	35	---	227,752	222,587
Pharmacy and optometry cost of goods sold	103,184	---	---	103,184	49,412
Recruitment	4,526	240	---	4,766	38,124
Rent	128,610	6,528	---	135,138	62,143
Repairs and maintenance	153,707	24,153	---	177,860	168,090
Small equipment purchases	47,175	18,447	---	65,622	26,760
Telephone	145,790	26,641	---	172,431	161,640
Travel	9,281	3,591	---	12,872	31,760
Utilities	42,109	6,950	---	49,059	53,241
Total	1,724,500	388,433	4,260	2,117,193	1,914,286
Total Expenses	6,582,954	1,433,160	18,723	8,034,837	8,239,913
Less expenses included with revenues on the Statement of Activities:					
Optometry hardware cost of goods sold	(21,227)	---	---	(21,227)	(14,975)
Pharmacy cost of goods sold	(81,957)	---	---	(81,957)	(34,437)
TOTAL FUNCTIONAL EXPENSES	\$ 6,479,770	\$ 1,433,160	\$ 18,723	\$ 7,931,653	\$ 8,190,501

See notes to financial statements.

HILLTOWN COMMUNITY HEALTH CENTERS, INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31,

	2020	Comparative 2019
CASH FLOWS FROM OPERATING ACTIVITIES		
CHANGE IN NET ASSETS	\$ 824,935	\$ 76,014
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	342,272	339,218
Loss from disposal of equipment	700	---
Provision for uncollectible receivables	(138,045)	6,084
Eliminate non-cash transaction for forgiveness of rent obligation	---	(52,912)
Realized and unrealized (gain) loss on investments	(50,182)	(57,921)
(Increase) decrease in operating assets:		
Accounts receivable - patient services	164,562	130,620
Contracts and grants receivable	(331,862)	(70,156)
Campaign pledges receivable	10,600	12,918
Inventory	1,821	127
Prepaid expenses	(17,033)	(7,691)
Increase (decrease) in operating liabilities:		
Accounts payable	(23,127)	37,960
Accrued expenses	118,590	(30,248)
Deferred contract revenue	125,374	(66,248)
Deferred insurance revenue	229,424	(156,828)
Contributions restricted for long-term purposes	---	(51,034)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>1,258,029</u>	<u>109,903</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of equipment	2,845	---
Additions to property and equipment	(5,280)	(139,864)
Proceeds from sales of investments	10,429	---
Dividends reinvested	<u>(5,455)</u>	<u>(8,218)</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>2,539</u>	<u>(148,082)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions restricted for long-term purposes	---	51,034
Principal payments on long-term debt	<u>(181,738)</u>	<u>(31,048)</u>
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	<u>(181,738)</u>	<u>19,986</u>
INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	1,078,830	(18,193)
Cash, cash equivalents, and restricted cash, beginning	<u>242,165</u>	<u>260,358</u>
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, ENDING	<u>\$ 1,320,995</u>	<u>\$ 242,165</u>
SUPPLEMENTAL DATA		
Interest paid	<u>\$ 10,686</u>	<u>\$ 15,800</u>

See notes to financial statements.

HILLTOWN COMMUNITY HEALTH CENTERS, INC.**NOTES TO FINANCIAL STATEMENTS****December 31, 2020****NOTE 1 – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****Nature of Activities**

Hilltown Community Health Centers, Inc. is a nonprofit corporation organized under Massachusetts General Laws Chapter 180. Hilltown Community Health Centers, Inc. offers a full range of health services from three locations to residents of the surrounding hill towns. Services include family medical care, optical care, comprehensive dentistry, mental health counseling, podiatry, health screenings, and education.

Income Taxes

The Organization is exempt from federal taxes under Section 501(c)(3) of the Internal Revenue Code and state taxes under Massachusetts law. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi) and has been classified as an organization that is not a private foundation under Section 509(a)(1).

Uncertain Tax Positions

Management has evaluated significant tax positions against the criteria established by professional standards and believes there are no such tax positions requiring accounting recognition. The Organization's tax returns are subject to examination by taxing authorities for all years ending on or after December 31, 2017.

Basis of Accounting and Financial Statement Presentation

The financial statements of the Organization have been prepared on the accrual basis of accounting. The Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Deferred Revenue***Contract and Grant Revenue***

The Organization records advance receipts of program revenues for the following year as deferred contract revenue.

Patient and Insurance Revenue

The Organization records advance receipts of patient fees and insurance revenue for procedures to be performed in the following year as deferred insurance revenue. At December 31, 2020, this account included a \$39,579 advance payment on future patient fees from MassHealth expected to be earned in full by April 2021 (\$143,172 at December 31, 2019) and a \$333,017 advance payment on future patient fees from MassHealth with repayments to be made beginning in October 2021 at a cost of 50% of claims during each billing cycle until the advance is fully repaid.

NOTE 1 – (Continued)**Revenue Recognition***Net Patient Service Revenue*

Net patient service revenue is reported at the amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing patient care and goods to patients net of contractual allowances associated with these goods and services. Net patient service revenue due from patients, third-party payors and others is reported after services are rendered at the estimated net realizable amounts. Contractual allowances were approximately \$1,842,000 and \$2,740,000 for the years 2020 and 2019, respectively. Net patient service revenue is adjusted in the future as final settlements are determined.

Net patient service revenue is recognized as performance obligations are satisfied at a point in time when goods or services are provided.

Services rendered to Medicaid and Medicare program beneficiaries are reimbursed under a cost reimbursement methodology. The Organization is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the Organization and audits thereof by the Medicaid and Medicare fiscal intermediaries.

Pharmacy and Optometry Income

Pharmacy and optometry merchandise sales are recognized at the time of purchase.

Contracts and Grants

Contract and grant revenues are recognized when expenses, eligible for reimbursement under the terms of the award, are incurred.

Contributions

The Organization recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give, that is those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met.

Charity Care

The Organization provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. The Organization does not pursue collection of amounts determined to qualify as charity care under the Massachusetts Health Safety Net (HSN) Program (Free Care), therefore, they are reported as offsets against patient service revenue. Charges for eligible patients are recorded at the Organization's established rates. A portion of the fee is reimbursed by the HSN Program. Any remaining unpaid balance is recorded as charity care. The Organization's gross charges for charity care patients for 2020 were approximately \$449,000 (\$643,000 for 2019) of which \$176,000 (\$300,000 for 2019) was reimbursed by the HSN Program and the balance was written off to charity care. The cost to provide these services was approximately \$273,000 for 2020 (\$343,000 for 2019). The cost of providing free care was calculated by multiplying the percentage of gross free care charges to gross patient charges by the total costs of providing patient services.

Contributions

The Organization accounts for contributions received as increases in net assets without donor restrictions or net assets with donor restrictions, depending on the existence or nature of any donor restrictions. When a donor restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions. If a restriction is fulfilled in the same time period in which the contribution is received, the Organization reports the support within net assets without donor restrictions.

NOTE 1 – (Continued)**Promises to Give**

Unconditional promises to give are recognized as contribution revenue in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Promises to give are recorded at net realizable value if expected to be collected in one year and at fair value if expected to be collected in more than one year. Conditional promises to give are recognized when the conditions on which they depend are substantially met. The Organization uses an allowance method for promises to give based upon management's analysis of the accounts and prior collection experience.

Contributed Services

Volunteers contribute services to the Organization in all aspects of its programs for which no value has been recognized in the financial statements because these services did not meet the criteria for recognition under U.S. generally accepted accounting principles.

Cash and Equivalents

For the purpose of the statement of cash flows, the Organization considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

Investments

Investments are presented in the financial statements at fair value, Level 1 input, as described below. Unrealized gains and losses are included in the change in net assets.

Level 1 Fair Value Measurement

Fair values for long-term investments are measured on a recurring basis and are determined by quoted market prices and other relevant information generated by market transactions.

Investment securities are exposed to various risks, such as interest rate, market and credit. Due to the level of uncertainty related to changes in interest rates, market volatility and credit risks, it is at least reasonably possible that changes in these risks could materially affect the fair value of investments and related activity reported on the financial statements.

Inventory

Inventories, which are stated at cost, consist of prescription drugs purchased under the 340B Pharmacy Program and eye glasses.

Property and Equipment

The Organization capitalizes all expenditures for property and equipment with a useful life greater than one year and a cost in excess of \$5,000. Purchased equipment is recorded at cost. Donated equipment is recorded at fair market value at the date of the donation. Depreciation of buildings and equipment is provided over the estimated useful lives of the assets using the straight-line method.

Retirement Plan

The Organization provides a 403(b) Retirement Plan to eligible employees. The Organization may make annual matching employer contributions at the discretion of the Board of Directors. For the years ended December 31, 2020 and 2019, employer matching contributions were \$17,425 and \$21,012. During 2020, the Organization also made contributions of \$181,194 for accumulated missed deferrals, matches, and earnings dating back to 2010.

NOTE 1 – (Continued)**Cost Allocation**

An indirect cost allocation plan established under the modified direct allocation method is utilized in which all costs that are not chargeable directly to a program are allocated to each program based upon a distribution percentage derived from direct costs that have been distributed to programs and supporting fundraising services (before allocation of indirect administrative costs).

Functional Allocation of Expenses

The costs of providing program and support activities have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated using management's estimates among the program and supporting activities benefited.

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy and depreciation, which are allocated on a square footage basis, as well as salaries, benefits, payroll taxes, professional services, office expenses, information technology, interest, insurance, and other expenses, which are allocated based on estimates of time and effort.

Advertising

The Organization expenses advertising costs as incurred. The amounts for each year were not material to the financial statements.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Subsequent Events

Management has evaluated subsequent events through June __, 2021, the date which the financial statements were available to be issued.

Summarized Financial Information

The financial information for the year ended December 31, 2019, presented for comparative purposes, is not intended to be a complete financial statement presentation. Certain items in the comparative prior year totals may have been reclassified to conform to the current year presentation.

NOTE 2 – CONCENTRATION OF CREDIT RISK

Financial instruments, which potentially subject the Organization to concentrations of credit risk, consist principally of cash. The Organization maintains its cash in various bank deposit accounts, which at times may exceed federally insured limits. Bank deposits at December 31, 2020 were \$1,402,764 and were fully insured and collateralized. The Organization has not experienced any losses in such accounts.

The Organization also has material concentrations of credit risk with respect to revenues from Medicare and Masshealth which respectively account for approximately 16% and 37% of net patient service revenues for the year ended December 31, 2020 and 11% and 31% of their related receivable balances at December 31, 2020. Additionally, the Organization received monies from the U.S. Department of Health and Human Services equal to 26% of total operating revenues for the year ended December 31, 2020.

NOTE 3 – CASH, CASH EQUIVALENTS AND RESTRICTED CASH

	2020	Comparative 2019
Without donor restrictions		
Cash and equivalents	\$ 1,320,995	\$ 188,456
Farmers Home Administration escrow	---	24,240
Total without donor restrictions	<u>1,320,995</u>	<u>212,696</u>
With donor restrictions	---	29,469
Total	<u>\$ 1,320,995</u>	<u>\$ 242,165</u>

NOTE 4 – ACCOUNTS RECEIVABLE CONSISTED OF THE FOLLOWING AT DECEMBER 31:

Accounts receivable are comprised of amounts due from patients and third-party payors and are reported net of an allowance for doubtful accounts.

	2020	Comparative 2019
Self pay	\$ 62,835	\$ 157,606
Medicare	85,107	114,858
Medicaid	202,986	209,482
Insurance and Health Safety Net	299,107	332,651
Accounts receivable - patient services	650,035	814,597
Allowances for uncollectible accounts		
Contractual adjustments	(237,961)	(280,352)
Doubtful accounts	(57,064)	(152,718)
Total allowances for uncollectible accounts	<u>(295,025)</u>	<u>(433,070)</u>
Accounts receivable-patient services, net	<u>\$ 355,010</u>	<u>\$ 381,527</u>

NOTE 5 – CONTRACTS AND GRANTS RECEIVABLE CONSISTED OF THE FOLLOWING AT DECEMBER 31:

Contracts and grants receivable are comprised of amounts due on governmental contracts. Management considers the following receivables to be collectible at December 31:

	2020	Comparative 2019
Private contracts and grants	\$ 10,927	\$ 35,582
State and Federal grants	479,864	111,624
340B pharmacy program	<u>14,915</u>	<u>26,638</u>
Contracts and grants receivable	<u>\$ 505,706</u>	<u>\$ 173,844</u>

NOTE 6 – INVESTMENTS CONSISTED OF THE FOLLOWING AT DECEMBER 31:

Investment fair values are measured on a recurring basis and determined by quoted market prices and other relevant information generated by market transactions (Level 1). The investments are presented in the financial statements at fair value.

Investments are comprised of the following groups as reported at fair value.

	2020		Comparative 2019	
	Fair Value	Cost	Fair Value	Cost
Mutual funds	\$ 345,897	\$ 155,957	\$ 300,689	\$ 160,614
Total	\$ 345,897	\$ 155,957	\$ 300,689	\$ 160,614

The following summarizes the relationship between fair values and cost of investment assets:

	Fair Value	Cost	Unrealized Appreciation (Loss)
Balance at end of year	\$ 345,897	\$ 155,957	\$ 189,940
Balance at beginning of year	300,689	160,614	140,075
Increase (Decrease) in unrealized appreciation			\$ 49,865

Investments held in the above accounts are restricted as follows:

	2020	Comparative 2019
Without donor restrictions	\$ 345,897	\$ 291,960
With donor restrictions	---	8,729
Total	\$ 345,897	\$ 300,689

NOTE 7 – PROPERTY AND EQUIPMENT CONSISTED OF THE FOLLOWING AT DECEMBER 31:

	2020	Comparative 2019
Land	\$ 204,506	\$ 204,506
Buildings	2,614,335	2,614,335
Improvements	929,062	929,062
Leasehold improvements	1,933,674	1,933,674
Furniture, fixtures and equipment	1,396,520	1,394,785
Total	7,078,097	7,076,362
Accumulated depreciation	(3,096,253)	(2,753,981)
Property and equipment, net	\$ 3,981,844	\$ 4,322,381

Depreciation expense was \$342,272 and \$339,218 for the years ended December 31, 2020 and 2019.

NOTE 8 – NOTES PAYABLE CONSISTED OF THE FOLLOWING AT DECEMBER 31:

	2020	Comparative 2019
Farmers Home Administration mortgage note due in monthly installments of \$2,020, including interest at 6.375%; final payment due December 2028; secured by real estate, investments and cash escrow of twelve payments totaling \$24,240, mortgage was fully repaid in August 2020	\$ ---	\$ 163,484
Mortgage note due in monthly installments of \$1,896 including interest at 3.12% starting August 15, 2016 and for the next five years; for each five year period thereafter, the fixed interest rate shall be indexed to the five year Treasury Note plus 2%; secured by real estate and building at 73 Russell Road, Huntington, Massachusetts	131,951	150,205
Florence Savings Bank \$100,000 line of credit; principal due on demand; interest payable monthly at bank's base rate plus 0.5% (3.75% and 5.25% at December 31, 2020 and 2019, respectively); collateralized by all assets of the Organization	---	---
PeoplesBank \$500,000 line of credit; principal due on demand; interest payable monthly at bank's base rate plus 0.5% (3.75% at December 31, 2020); collateralized by all assets of the Organization	---	---
Total notes payable	131,951	313,689
Amount due within one year	18,666	32,248
Amount due after one year	\$ 113,285	\$ 281,441

(Continued)

NOTE 8 – (Continued)

The above debt matures during the years ending December 31,

2021	\$	18,666
2022		19,288
2023		19,932
2024		20,590
2025		21,283
Thereafter		<u>32,192</u>
Total	\$	<u><u>131,951</u></u>

NOTE 9 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes or periods:

	2020	Comparative 2019
Subject to the passage of time:		
For periods after December 31, 2020	\$ <u>2,810</u>	\$ <u>13,410</u>
Not subject to appropriation or expenditure:		
Cash	---	29,464
Investments at fair value	---	<u>8,729</u>
	---	<u>38,193</u>
Total net assets with donor restrictions	\$ <u>2,810</u>	\$ <u>51,603</u>

Upon review of the net assets with donor restrictions, the Organization and the board determined that the underlying restrictions for the cash and investments had elapsed. As such, the funds were reclassified to without donor restrictions at December 31, 2020.

NOTE 10 – NET ASSETS RELEASED FROM DONOR RESTRICTION

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of the passage of time or other events specified by donors. For the years ended December 31, 2020 and 2019, nets assets of \$10,600 and \$13,518, respectively, were released from donor restrictions as payments on outstanding pledges restricted for capital additions were received and funds were expended for capital additions. Also released during 2020, was a previously reported endowment of \$38,193 (principal and accumulated earnings) which was reviewed by the Massachusetts Attorney General's Office who determined the funds to be unrestricted.

NOTE 11 – SURPLUS REVENUE RETENTION

Hilltown Community Health Center, Inc. receives funding from the State of Massachusetts through cost reimbursement contracts. The Organization refunds to the State any unused funds as required. Any cost reimbursement contract funds required to be refunded are recorded as a liability.

NOTE 11 – (Continued)

The Commonwealth of Massachusetts' Not-For-Profit Contractor Surplus Revenue Retention Policy pursuant to 808 CMR 1.03(7) of the Compliance, Reporting and Auditing for Human and Social Services regulation's, allows a non-profit contractor (the Organization) to retain, for future use, a portion of that annual surplus in an unrestricted net asset account. This net surplus, from the revenues and expenses associated with services provided to purchasing agencies which are subject to 808 CMR 1.00 may not exceed 20% of said revenue annually. Surpluses may be used by the Organization for any of its established charitable purposes, provided that no portion of the surplus may be used for any non-reimbursable cost set forth in 808 CMR 1.05, the free care prohibition excepted.

The amount of the Organization's annual surplus is within the 20% threshold, and therefore, no liability to the Commonwealth exists.

NOTE 12 – BEQUEST

In 1989 the Organization was named as beneficiary of a trust created upon the death of a resident of the Town of Worthington. The trust stipulates that an annual distribution, in the amount of net income earned as of the distribution date, is to be made to Hilltown Community Health Centers, Inc. The trust is managed by a bank trust department, and Hilltown Community Health Centers, Inc. does not have access to or ownership rights to the principal. Should the trust ever be broken, the principal will be awarded as scholarships at the discretion of the trustees. Income from this bequest for the years ended December 31, 2020 and 2019 was \$25,799 and \$20,177, respectively.

NOTE 13 – COMMITMENTS AND CONTINGENT LIABILITIES

Hilltown Community Health Centers, Inc. receives some of its support from state and federal contracts. The contracts permit audits of both the financial operation of the programs and compliance with the terms of the agreements. Such audits could result in the disallowance of some costs charged to the contract and, therefore, create a liability to the funding source. Liabilities resulting from these audits, if any, will be recorded in the period in which the amount of the liability is ascertained.

NOTE 14 – LESSOR AGREEMENTS

The Organization leases facility space to Cooley Dickinson Hospital on an annual basis. The current lease agreement is month-to-month with monthly rent payments of \$1,132. Lease revenue for the years ended December 31, 2020 and 2019 was \$14,721 and \$13,589, respectively.

The Organization leases facility space at the Huntington Site to Baystate Medical Center, Inc. (Baystate). In March 2018 Baystate exercised their option to extend the lease agreement for three additional years, ending June 30, 2021 with a base rent of \$9,924 annually, paid in equal monthly payments of \$827. In addition, Baystate is responsible for a proportionate share (6.7%) of operating expenses and real estate taxes. Facility lease payments received during the years ended December 31, 2020 and 2019 were \$16,983 and \$16,915, respectively. Minimum base lease receipts for the year ended December 31, 2021 is \$8,610.

NOTE 15 – OPERATING LICENSE AND LEASES

The Organization has leases for equipment for use in its operations, which are accounted for as operating leases and expire in various years. The Organization leases office space in Huntington under a five year lease agreement expiring July 2024. Monthly rent is \$3,441 at December 31, 2020, and is set to increase each year. The Organization has also entered into a license agreement to utilize space in Amherst for the John P. Musante Health Center through June 2022. During 2019, the lease was amended and monthly rent payments were reduced retroactively and a forgiveness of rent obligation was recorded. Monthly rent is \$3,700 at December 31, 2020, and is set to increase each year. Total lease and license expense was \$107,747 and \$89,471 for the years ended December 31, 2020 and 2019, respectively. Minimum lease payments for future years are:

	Office Space	Office Equipment	Total
2021	110,725	\$ 462	\$ 111,187
2022	77,904	---	77,904
2023	45,121	---	45,121
2024	23,237	---	23,237
Total	<u>\$ 256,987</u>	<u>\$ 462</u>	<u>\$ 257,449</u>

NOTE 16 – LIQUIDITY

The following reflects the Organization's financial assets as of the date of the Statement of Financial Position, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the date of the Statement of Financial Position. Amounts not available include amounts not considered collectible within one year from the date of the Statement of Financial Position and those balances restricted in perpetuity by the donors.

	2020	2019
Financial assets at year end:		
Cash, cash equivalents, and restricted cash (Note 3)	\$ 1,320,995	\$ 242,165
Accounts receivable - patient services, net	355,010	381,527
Campaign pledges receivable	2,810	13,410
Contracts and grants receivable	505,706	173,844
Investments	345,897	300,693
Total financial assets	<u>2,530,418</u>	<u>1,111,639</u>
Less amounts not available to be used within one year:		
Net assets with donor restrictions	2,810	51,603
Less net assets with time restrictions to be met in less than a year	<u>(2,810)</u>	<u>(13,410)</u>
Total amount not available to be used within one year	<u>---</u>	<u>38,193</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 2,530,418</u>	<u>\$ 1,073,446</u>

The Organization is substantially supported by patient and insurance revenue, contractual fees from Medicare and MassHealth, which are received 30 to 60 days after performance of related health services, and federal and state grant revenues. This continuous flow of receipts throughout the year allows the Organization to meet its financial obligations as they come due. In the event of an unanticipated liquidity need, the Organization also could draw upon \$600,000 of available lines of credit.

NOTE 17 – PAYCHECK PROTECTION PROGRAM

During fiscal year 2020, the Organization applied for and received a \$1,171,200 forgivable loan under the Paycheck Protection Program (PPP) created as part of the relief efforts related to COVID-19, administered by the U.S. Small Business Administration (SBA) through a local bank. The Organization is accounting for the forgivable loan under FASB ASC 958-605, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, Subtopic 605, *Conditional Contribution*. FASB ASC 958-605 indicates that a transfer of assets that is a conditional contribution is accounted for as a refundable advance until the conditions have been substantially met or explicitly waived by the donor. Although the legal form of the PPP loan is debt, the Organization believes the loan is, in substance, a government grant. Therefore, in lieu of loan treatment, the PPP loan has been treated as a conditional contribution.

The Organization met the PPP loan requirements (maintaining employee headcount, limitation in reduction in compensation, and qualified expenses) and was forgiven on November 2, 2020 by the lender. As a result the Organization recognized the PPP loan as grant income during the year ended December 31, 2020.

NOTE 18 – SUBSEQUENT EVENTS

Subsequent to the year ended December 31, 2020, the Organization applied for and received a second PPP loan in the amount of \$1,171,200.

HILLTOWN COMMUNITY HEALTH CENTERS, INC.

Schedule of Expenditures of Federal Awards

For the Year Ended December 31, 2020

Federal Grantor\ Pass-through Grantor\ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures	Passed Through to Subrecipients
U.S. Department of Health and Human Services				
Health Center Program Cluster				
Consolidated Health Centers Program	93.224		\$ 1,488,367	\$ ---
COVID-19 Health Center CARES Act	93.224		538,659	---
COVID-19 Expanding Capacity for Coronavirus Testing (ECT)	93.224		140,493	---
Total Health Center Program Cluster			2,167,519	---
Provider Relief Fund	93.498		152,134	---
Aging Cluster				
Passed Through Highland Valley Elder Services				
Special Programs for the Aging - Title III B	93.044	N/A	7,810	---
Total U.S. Department of Health and Human Services			2,327,463	---
U.S. Department of Justice				
Passed through Safe Passage				
Violence Against Women Formula Grants	16.588	N/A	38,267	---
Passed through Mass Office of Victim Assistance				
Crime Victim Assistance	16.575	N/A	211,628	---
Total U.S. Department of Justice			249,895	---
U.S. Department of Housing and Urban Development				
Passed through Massachusetts Department of Housing and Community Development				
Community Development Block Grants				
Passed through Hilltown Community Development Corporation				
Health Outreach Program for Elders (HOPE)	14.228	N/A	27,285	---
Passed through Pioneer Valley Planning Commission				
Social Services	14.228	N/A	73,820	---
Total U.S. Department of Housing and Urban Development			101,105	---
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 2,678,463	\$ ---

The accompanying notes are an integral part of this schedule.

HILLTOWN COMMUNITY HEALTH CENTERS, INC.
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Hilltown Community Health Centers, Inc. under programs of the federal government for the year ended December 31, 2020. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The Schedule presents only a selected portion of the operations of Hilltown Community Health Centers, Inc. and it is not intended to and does not present the financial position, changes in net assets, or cash flows of Hilltown Community Health Centers, Inc.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Pass-through entity identifying numbers are presented where available.

NOTE 3 - INDIRECT COST RATES

Hilltown Community Health Centers, Inc. has not elected to use the 10 percent de minimis indirect cost rate under the Uniform Guidance.



Adelson & Company PC

CERTIFIED PUBLIC ACCOUNTANTS

Established 1938

AUDIT | TAX | ADVISORY

Gary J. Moynihan, CPA
 Carol J. Leibinger-Healey, CPA
 David M. Irwin, Jr., CPA
 Allison L. Bedard, CPA
 Of Counsel:
 Richard F. LaFleche, CPA
 Vincent T. Viscuso, CPA

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

To the Officers and Directors of
HILLTOWN COMMUNITY HEALTH CENTERS, INC.
 58 Old North Road
 Worthington, MA 01098

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Hilltown Community Health Centers, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June __, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Hilltown Community Health Centers, Inc.'s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Hilltown Community Health Centers, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hilltown Community Health Centers, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2020-001.

Hilltown Community Health Centers, Inc.'s Response to Findings

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

Purpose of this Report

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

ADELSON & COMPANY PC

June __, 2021



Adelson & Company PC

CERTIFIED PUBLIC ACCOUNTANTS

Established 1938

AUDIT | TAX | ADVISORY

Gary J. Moynihan, CPA
 Carol J. Leibinger-Healey, CPA
 David M. Irwin, Jr., CPA
 Allison L. Bedard, CPA
 Of Counsel:
 Richard F. LaFleche, CPA
 Vincent T. Viscuso, CPA

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Officers and Directors of
HILLTOWN COMMUNITY HEALTH CENTERS, INC.
 58 Old North Road
 Worthington, MA 01098

Report on Compliance for Each Major Federal Program

We have audited Hilltown Community Health Centers, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Hilltown Community Health Centers, Inc.'s major federal programs for the year ended December 31, 2020. Hilltown Community Health Centers, Inc.'s major federal programs are 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.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Hilltown Community Health Centers, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of 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 Hilltown Community Health Centers, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Hilltown Community Health Centers, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Hilltown Community Health Centers, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2020.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2020-001. Our opinion on each major federal program is not modified with respect to these matters.

Hilltown Community Health Centers, Inc.'s response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Hilltown Community Health Centers, Inc.'s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2020-001, that we consider to be significant deficiencies.

Hilltown Community Health Centers, Inc.'s response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Hilltown Community Health Centers, Inc.'s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

ADELSON & COMPANY PC

June __, 2021

DRAFT
06-10-2021

HILLTOWN COMMUNITY HEALTH CENTERS, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

DECEMBER 31, 2020

SECTION I – SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

- Material weaknesses identified? ___yes ☒no
- Significant deficiencies identified? ___yes ☒none reported

Noncompliance material to financial statements noted? ___yes ☒no

Federal Awards

Internal Control over major programs:

- Material weaknesses identified? ___yes ☒no
- Significant deficiencies identified? ___yes ☒none reported

Type of auditors' report issued on compliance for major programs: Unmodified

- Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a) ___yes ☒no

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
--------------------	---

93.224	Health Center Program (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care)
--------	---

See detail on Schedule of Expenditures of Federal Awards

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

Auditee qualified as low-risk auditee? ☒yes ___no

SECTION II – FINANCIAL STATEMENT FINDINGS

There were no findings for the year ended December 31, 2020.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Program Name: Health Center Program (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care)

CFDA#: 93.224

Grant Number: H80CS00601

Grant Period: Year Ended December 31, 2020

Finding: 2020-001**Significant Deficiency****Reporting***Condition:*

The Organization could not provide the source documentation used to prepare the calendar year 2020 Universal Data System Report (UDS) to be filed with the Bureau of Primary Health Care (BPHC). In applying analytical procedures on the report submitted to BPHC for review, there were errors and omissions in financial and statistical information.

Criteria:

Internal controls should be in place to provide reasonable assurance that the UDS is prepared accurately and consistently.

Cause:

There are no formal internal written policies and procedures for completing the UDS template which would include the specific reports to be printed from medical, dental and financial accounting software reports where financial and statistical information is obtained to complete the UDS, as well as the methodology for allocating facility and administrative costs to programs reported in the UDS. Written procedures would also disclose where and how long the UDS and related supporting documentation should be retained by the Organization.

Effect:

The Organization submitted the UDS with incorrect financial and statistical information, used an inconsistent method for allocating facility and administrative costs and did not retain the supporting documentation used to complete the template.

Context:

Auditors requested supporting documentation for specific line items and tables of the UDS in order to perform testing outlined in the OMB compliance supplement. The Organization was unable to provide the calculations used to prepare the UDS and had to recreate other reports.

Repeat Finding:

No.

Auditors' Recommendation:

The Organization should amend the 2020 UDS to appropriately reflect the financial and statistical information reported on calendar year 2020 health center activities and maintain documentation to support this information for a minimum of one year.

Views of Responsible Officials and Planned Corrective Actions:

Hilltown Community Health Centers, Inc. agrees with the finding and has updated and resubmitted a corrected UDS template to BPHC.

Name of contact person: John Melehov, Chief Financial Officer

Completion Date:

STATUS OF PRIOR YEAR AUDIT FINDINGS AND QUESTIONED COSTS

There were no findings or questioned costs for the prior year ended December 31, 2019.

DRAFT
06-10-2021

HILLTOWN COMMUNITY HEALTH CENTERS, INC.

Management Letter

December 31, 2020

Table of Contents

	Page
Cover Letter	2
Comments and Recommendations	3
Status of Prior Year Recommendations	3



Adelson & Company PC

CERTIFIED PUBLIC ACCOUNTANTS

Established 1938

AUDIT | TAX | ADVISORY

Gary J. Moynihan, CPA
Carol J. Leibinger-Healey, CPA
David M. Irwin, Jr., CPA
Allison L. Bedard, CPA
Of Counsel:
Richard F. LaFleche, CPA
Vincent T. Viscuso, CPA

June __, 2021

Eliza Lake, Executive Director
and to the Members of the Board of
HILLTOWN COMMUNITY HEALTH CENTERS, INC.
58 Old North Road
Worthington, MA 01098-9753

Dear Ms. Lake and Members of the Board:

In connection with our audit of the financial statements of Hilltown Community Health Centers, Inc. as of December 31, 2020, we have made a review of the Organization's accounting procedures and internal controls. While the primary objective of such a review is to afford us a basis of determining the scope of our audit procedures, it nevertheless presents us with an opportunity to submit, for the Organization's consideration, suggestions for changes in procedures that, in our opinion, would strengthen internal controls or contribute to the improvement of operating efficiency.

The comments and recommendations in this letter are based upon observations made in the course of such review. The review was not designed for the purpose of expressing an opinion on internal accounting control, and it would not necessarily disclose all weaknesses in the system. The matters discussed herein were considered during our examination of the above mentioned financial statements, and they did not modify the opinion expressed in our report on those financial statements. Current year comments marked with an asterisk (*) have been repeated from the prior year.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with various Organization personnel, and we will be pleased to discuss them in further detail at your convenience. We are also available to provide guidance to assist the Organization in implementing the recommendations.

We would like to express our thanks and appreciation to the Organization and its personnel for the cooperation given us during the course of our audit.

Sincerely,

ADELSON & COMPANY PC

COMMENTS AND RECOMMENDATIONS

- *1. During our review of internal controls over cash, it was noted that there are many old outstanding checks present on the bank reconciliations.

Recommendations:

Outstanding checks should be reviewed regularly and either written-off or reissued in a timely manner.

Action Taken:

STATUS OF PRIOR YEAR COMMENTS AND RECOMMENDATIONS

1. Reworded and partially repeated as item 1. Bank statements are reviewed several times a week by the CFO before the reconciliation process.
2. As recommended, the Organization continues to familiarize itself with the lease accounting standards ahead of their implementation in 2021.
3. The Organization uses a local information technology company which assists with cyber-security and backup procedures.

Credentialing and Privileging Update for HCHC BOD

Month: **May**

Name	Position/ Credentials	Start date	Date Credentialed	Special Certifications	Privileging Requests	Special Privileging	Any items pending?	Other Info
Carol Sanderson	Registered Nurse (RN)	4/22/2021	4/12/2021	none	Privileging for Medical Staff	COVID Vaccine Clinic (ONLY)	none	none
Marci Yoss	Physician Quality Improvement Specialist	5/4/2021	4/12/2021	American Board of Family Medicine, MD	none	none	none	none
Crystal Tufts	DA Intern	4/21/2021	5/5/2021	none	none	none	none	Supervisor: Karen Rowe
Brenna Keogh	NP Shadow	5/5/2021	4/12/2021	none	none	none	none	Shadowing Jon Liebman
Jose Aguilar	Psych NP	6/4/2021	5/5/2021	ANCC Psychiatric Mental health Nurse Practitioner	Privileging for Medical Staff	Psych NP	none	none
Misty Hultay	Medical Assistant	5/24/2021	5/24/2021	none	none	none	none	none