

HEART OF FLORIDA HEALTH CENTER, INC.

FINANCIAL STATEMENTS

FEBRUARY 29, 2020

HEART OF FLORIDA HEALTH CENTER, INC.
TABLE OF CONTENTS
FEBRUARY 29, 2020

	<u>Page(s)</u>
Independent Auditors' Report	1 – 2
Financial Statements	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7 – 14
Schedule of Expenditures of Federal Awards	15
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 <i>Government Auditing Standards</i>	16 – 17
Independent Auditors' Report on Compliance for Each Major Federal Awards Program and Report on Internal Control Over Compliance Required by the Uniform Guidance	18 – 19
Schedule of Findings and Questioned Costs	20 – 21

INDEPENDENT AUDITORS' REPORT

To the Board of Directors,
Heart of Florida Health Center, Inc.:

Report on the Financial Statements

We have audited the accompanying financial statements of Heart of Florida Health Center, Inc. (a nonprofit organization), which comprise the statement of financial position as of February 29, 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

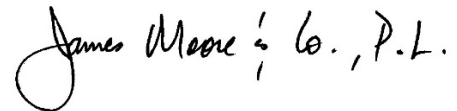
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Heart of Florida Health Center, Inc., as of February 29, 2020, and the changes in its net assets and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the audit 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), 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 Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2020, on our consideration of Heart of Florida Health Center, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Heart of Florida Health Center, Inc.'s internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "James Moore & Co., P.L." The signature is written in a cursive style with a large loop at the beginning.

Gainesville, Florida
October 20, 2020

**HEART OF FLORIDA HEALTH CENTER, INC.
STATEMENT OF FINANCIAL POSITION
FEBRUARY 29, 2020**

ASSETS

Current assets	
Cash and cash equivalents	\$ 340,821
Patient receivables, net of allowance for doubtful accounts of \$697,912	904,510
Other receivables	286,857
Inventory	62,848
Prepaid expenses and other assets	83,181
Total current assets	<u>1,678,217</u>
Property and equipment, net	<u>8,445,960</u>
Other assets	
Intangible assets, net	92,585
Deposits	13,995
Total other assets	<u>106,580</u>
Total Assets	<u><u>\$ 10,230,757</u></u>

LIABILITIES AND NET ASSETS

Current liabilities	
Line of credit	\$ 55,000
Accounts payable	953,512
Accrued expenses	1,009,680
Deferred revenue	6,709
Total current liabilities	<u>2,024,901</u>
Net Assets	
Without donor restriction	
Invested in property and equipment	8,445,960
Undesignated	(240,104)
Total net assets	<u>8,205,856</u>
Total Liabilities and Net Assets	<u><u>\$ 10,230,757</u></u>

The accompanying notes to the financial statements
are an integral part of this statement.

**HEART OF FLORIDA HEALTH CENTER, INC.
STATEMENT OF ACTIVITY
FOR THE YEAR ENDED FEBRUARY 29, 2020**

	Without Donor Restrictions
Revenue, gains and other support	
Patient service revenue, net of contractual allowances and discounts	\$ 6,693,111
Provision for bad debts	(531,572)
Net patient service revenue less provision for bad debts	6,161,539
Premium revenues - capitated services	1,938
Federal support	4,758,010
State grant	925,736
Pharmacy sales	1,785,701
Local support	1,939,781
Other contracts and support	479,366
Contributions	6,110
In-kind donations	359,918
Interest income	19
Miscellaneous income	20,153
Total revenues, gains and other support	16,438,271
 Expenses and losses	
Program services:	
Medical	7,265,961
Dental	1,103,497
Patient support	1,294,947
Pharmacy	1,113,724
Maternity	473,696
Enabling services	112,742
Supporting services:	
Administrative	2,033,860
Expenses before reimbursement	13,398,427
Electronic health records incentive reimbursement	(34,000)
Total expenses	13,364,427
 Increase in net assets	 3,073,844
 Net assets, beginning of year	 5,132,012
 Net assets, end of year	 \$ 8,205,856

The accompanying notes to the financial statements
are an integral part of this statement.

HEART OF FLORIDA HEALTH CENTER, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED FEBRUARY 29, 2020

	Medical	Dental	Patient Support	Pharmacy	Maternity	Enabling Services	Administrative	Total
Accounting	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 35,811	\$ 35,811
Advertising & Promotions	34,000	4,407	6,926	4,407	1,889	630	10,704	62,963
Bank	-	-	-	-	-	-	12,305	12,305
Computer Support	108,336	14,044	22,069	14,044	6,019	2,006	34,106	200,624
Consulting Fees	73,907	9,580	15,055	9,580	4,106	1,369	23,267	136,864
Continuing Education	17,916	4,479	-	2,986	1,493	-	2,986	29,860
Contracts	37,215	17,367	-	17,367	133,975	-	42,177	248,101
Amortization and depreciation	140,240	18,179	28,567	18,179	7,791	2,597	44,151	259,704
Dues and Subscriptions	21,176	2,745	4,314	2,745	1,176	392	6,666	39,214
In Kind Expense	369,742	-	-	-	-	-	-	369,742
Insurance	31,011	4,020	6,317	4,020	1,723	574	9,763	57,428
Insurance-Professional Liability	24,861	7,103	3,552	-	-	-	-	35,516
Janitorial Contract Fees	51,403	6,663	10,471	6,663	2,856	952	16,182	95,190
Lab Fees	241,749	60,437	-	-	-	-	-	302,186
Legal Fees	-	-	-	-	-	-	6,408	6,408
Licenses	15,563	2,017	3,170	2,017	865	288	4,899	28,819
Maintenance and Repairs	30,299	3,928	6,172	3,928	1,683	561	9,539	56,110
Medical Billing	233,608	116,804	38,935	-	-	-	-	389,347
Medical Supplies	252,265	108,113	-	-	-	-	-	360,378
Office and Miscellaneous	153,973	19,959	31,365	19,959	8,554	2,851	48,473	285,134
Other	236,924	30,712	48,262	13,162	13,162	4,387	92,137	438,746
Patient Expenses	-	-	12,293	-	-	-	-	12,293
Payroll Services	22,333	2,895	4,549	2,895	1,241	414	7,031	41,358
Pharmaceuticals & Meds	-	-	-	321,727	-	-	-	321,727
Salaries and Benefits	4,913,076	636,880	1,000,812	636,880	272,949	90,983	1,546,709	9,098,289
Taxes	516	-	-	-	-	-	-	516
Telephone	173,794	22,529	35,403	22,529	9,655	3,218	54,713	321,841
Travel	45,680	5,921	9,305	5,921	2,538	846	14,381	84,592
Utilities	36,374	4,715	7,410	4,715	2,021	674	11,452	67,361
	<u>\$ 7,265,961</u>	<u>\$ 1,103,497</u>	<u>\$ 1,294,947</u>	<u>\$ 1,113,724</u>	<u>\$ 473,696</u>	<u>\$ 112,742</u>	<u>\$ 2,033,860</u>	<u>\$ 13,398,427</u>

The accompanying notes to the financial statements
are an integral part of this statement.

HEART OF FLORIDA HEALTH CENTER, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED FEBRUARY 29, 2020

Cash flows from operating activities	
Increase in net assets	\$ 3,073,844
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Amortization and depreciation	259,704
(Increase) decrease in certain assets:	
Patient receivables	(203,532)
Other receivables	(16,996)
Inventory	(62,848)
Prepaid expenses and other assets	(226,367)
Deposits	(700)
Increase (decrease) in certain liabilities:	
Accounts payable	637,522
Accrued expenses	331,268
Deferred revenue and rental income	(124,893)
Net cash provided by operating activities	<u>3,667,002</u>
Cash flows from investing activities	
Purchase of property and equipment	(3,405,835)
Proceeds from redemption of certificates of deposit	183,670
Net cash used in investing activities	<u>(3,222,165)</u>
Cash flows from financing activities	
Payments on line of credit	(110,000)
Net increase in cash and cash equivalents	<u>334,837</u>
Cash and cash equivalents, beginning of year	5,984
Cash and cash equivalents, end of year	<u><u>\$ 340,821</u></u>

The accompanying notes to the financial statements
are an integral part of this statement.

HEART OF FLORIDA HEALTH CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
FEBRUARY 29, 2020

(1) **Summary of Significant Accounting Policies:**

(a) **Organization**—Heart of Florida Health Center, Inc. (the Organization) is a not-for-profit primary care provider offering medical services to Marion County residents, including residents who would not otherwise be able to access their services due to financial limitations and/or lack of insurance.

(b) **Basis of financial reporting**—The Organization’s financial statements have been prepared in accordance with generally accepted accounting principles as established by the Financial Accounting Standards Board.

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. The Organization records all revenues and gains that are spent in the same fiscal year as unrestricted revenue. Any amounts not spent are recorded as restricted revenue if donor restrictions exist. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), the corresponding restricted net assets are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net assets without donor restrictions— Net assets that are not subject to donor-imposed restrictions.

Net assets with donor restrictions—Net assets subject to donor-imposed stipulations. Some donor-imposed restrictions are temporary in nature, such as those that will be met either by actions of the Organization and/or passage of time. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

There were no net assets with donor restrictions held at February 29, 2020.

(c) **Adoption of new accounting standards**—In June 2018, the FASB issued Accounting Standards Update 2018-08: Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made, to clarify and improve the scope and accounting guidance around contributions of cash and other assets received and made by not-for-profit organizations. The Organization adopted ASC 958 as of March 1, 2019. In adopting this ASU, there was not an impact to beginning net assets. As such, no retrospective analysis of account balance changes was required.

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

(e) **Patient receivables**—Patient receivables 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 patient receivables.

HEART OF FLORIDA HEALTH CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
FEBRUARY 29, 2020

(1) **Summary of Significant Accounting Policies:** (Continued)

(f) **Other receivables**—Receivables are recorded by the Organization for funds to be received from various contracts or other sources as revenues are earned. An allowance for uncollectible receivables has not been recorded as all amounts are deemed collectible.

(g) **Property and equipment**—The Organization capitalizes at cost, all expenditures for property and equipment in excess of \$1,000. Contributed assets are recorded at fair market value at the time received, if determinable. Depreciation of property and equipment is computed on the straight-line method over the estimated useful lives of the assets ranging from three to 27.5 years.

(h) **Third-party contractual adjustments**—Retroactively calculated third-party contractual adjustments are accrued on an estimated basis in the period the related services are rendered. Net patient service revenue is adjusted as required in subsequent periods based on final settlements.

(i) **Contributions and grants**—We recognize 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 substantially met.

A portion of our revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/ or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when we have incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position. At February 29, 2020, we received no cost-reimbursable grants that have not been recognized because qualifying expenditures have not yet been incurred and no amounts have been received in advance under our federal and state contracts and grants.

(j) **Net patient service revenue**—The Organization recognizes patient service revenue associated with services provided to patients who have third-party payor coverage on the basis of contractual rates for the services rendered. For uninsured patients that do not qualify for charity care, the Organization recognizes revenue on the basis of its standard rates for services provided (or on the basis of discounted rates, if negotiated or provided by policy). On the basis of historical experience, a significant portion of the Organization’s uninsured patients will be unable or unwilling to pay for the services provided. Thus, the Organization records a significant provision for bad debts related to uninsured patients in the period the services are provided. Patient service revenue, net of contractual allowances and discounts (but before the provision for bad debts), recognized during the fiscal year from these major payor sources, and is as follows:

Patient Service Revenue, Net of Contractual Allowance and Discounts

Medicaid	\$ 4,468,780
Medicare	524,973
Self-Pay/Sliding fee	1,175,931
Private/Commercial	523,427
Total	\$ 6,693,111

Patient services rendered to Medicare beneficiaries are paid based on a cost reimbursement methodology. The Organization is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports. The cost reports are subject to audit and adjustment by Medicare. The Organization’s Medicare cost reports have been audited by the Medicare fiscal intermediary through September 30, 2019.

HEART OF FLORIDA HEALTH CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
FEBRUARY 29, 2020

(1) **Summary of Significant Accounting Policies:** (Continued)

Revenue from the Medicaid and Medicare programs accounted for approximately 67% and 8%, respectively, of the Organization's net patient revenue for the year ended February 29, 2020. Laws and regulations governing Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. In 2020, there is no material effect on net patient service revenue after final settlements with Medicare or Medicaid.

(k) **Premium revenues**—Capitation contracts between the Organization and third party payors obligate the Organization to provide service to specific patient lists. These revenues are premium revenues, not patient service revenues, because they are earned and paid monthly by agreeing to provide care, regardless of whether services are rendered. In accordance with FASB ASC 954-605-45-3, significant revenue earned under capitation arrangements are reported separately.

(l) **Pharmacy sales**—The Organization participates in the 340B “Drug Discount Program” which enables qualifying health care providers to purchase drugs from pharmaceutical suppliers at a substantial discount. The 340B Drug Discount Program is managed by the Health Resources and Services Administration (HRSA) Office of Pharmacy Affairs. The Organization earns revenue under this program by purchasing pharmaceuticals at a reduced cost to fill prescriptions to qualified patients. The Organization operates an internal pharmacy to dispense the pharmaceuticals to its patients but holds a limited supply on hand.

(m) **Charity care**—The Organization has a policy of providing charity care to patients who are unable to pay. Such patients are charged fees based upon a sliding fee schedule based upon poverty guidelines. Since management does not expect payment for charity care, the estimated charges are excluded from patient service revenues.

The Organization has a policy of providing charity care to patients who are unable to pay for services. These services amounted to approximately \$4,047,000 in 2020. Charity care represented approximately 31% of visits in 2020.

(n) **Functional allocation of expenses**—Certain costs have been directly allocated among the program and supporting services in order to report on a functional basis. To maintain accountability of program expenses and to comply with the Bureau of Common Reporting Requirements (BCRR), management has established the following functional cost centers: medical, dental, pharmacy, patient support, maternity, other enabling services, and administrative.

(o) **Income taxes**—The Organization is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. Accordingly, income earned in the furtherance of the Organization's tax-exempt purpose is exempt from federal and state income taxes and the financial statements contain no provision or liability for income taxes. The Organization files income tax returns in the U.S. federal jurisdiction. The Organization's returns for the past three years are subject to examination by tax authorities and may change upon examination. The Organization has reviewed and evaluated the relevant technical merits of each of its tax positions in accordance with accounting principles generally accepted in the United States of America for accounting for uncertainty in income taxes, and determined that there are no uncertain tax positions that would have a material impact on the financial statements of the Organization.

HEART OF FLORIDA HEALTH CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
FEBRUARY 29, 2020

(1) **Summary of Significant Accounting Policies:** (Continued)

(p) **Cash and cash equivalents**—For purposes of reporting cash flows, cash and cash equivalents include only investments with original maturities of three months or less.

(q) **Intangible assets**—The Organization has patient-based intangible assets of \$213,048. The Organization is amortizing the assets over their estimated useful life of 20 years. Accumulated amortization related to the patient bases totaled \$120,463 at February 29, 2020. Amortization expense totaled \$21,305 for the year ended February 29, 2020. Expected amortization expense for the next five years is as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2021	\$ 21,305
2022	21,305
2023	21,305
2024	21,305
2025	7,365
	<u>\$ 92,585</u>

(r) **In-kind contributions**—Contributions of services shall be recognized if the services received (a) create or enhance nonfinancial assets or (b) required specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The Organization obtained the right for the use of medical and office space that is provided without charge to the Organization from Marion County and has been valued at approximately \$370,000 for the year ending February 29, 2020.

(s) **Medical malpractice insurance**—The Organization has medical malpractice insurance through a commercial carrier. Any provision for estimated medical malpractice claims includes estimates of the ultimate costs for both reported claims and claims incurred but not reported.

(t) **Advertising**—Advertising costs are charged to operations when incurred. Advertising expenses totaled \$62,963 for the year ended February 29, 2020.

(u) **Electronic Health Records Incentive Reimbursement**—The American Recovery and Reinvestment Act of 2009 included provisions for implementing health information technology under the Health Information Technology for Economic and Clinical Health Act (“HITECH”). These provisions were designed to increase the use of electronic health records (“EHR”) technology and establish the requirements for a Medicare and Medicaid incentive payments program beginning in 2011 for eligible Organizations and providers that adopt and meaningfully use certified EHR technology. Eligibility for annual Medicare incentive payments is dependent on providers demonstrating meaningful use of EHR technology in each period over a four-year period. Initial Medicaid incentive payments are available to providers that adopt, implement or upgrade certified EHR technology; but providers must demonstrate meaningful use of such technology in subsequent years to qualify for additional incentive payments. Medicaid EHR incentive payments are fully funded by the federal government and administered by the states; however, the states are not required to offer EHR incentive payments to providers.

HEART OF FLORIDA HEALTH CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
FEBRUARY 29, 2020

(1) **Summary of Significant Accounting Policies:** (Continued)

The Organization reported \$34,000 during the year ended February 29, 2020 reimbursement for HITECH incentives from Medicare and Medicaid related to the Hospital and for the Hospital's employed providers that have demonstrated meaningful use of certified EHR technology or have completed attestations to their adoption or implementation of certified EHR technology. These incentive reimbursements are reported under the grant accounting model as there is reasonable assurance that the Hospital complied with applicable requirements in the current period. These amounts are estimates and subject to change, with such changes recorded in the period in which they occur. Additionally, the amounts are subject to audit by the federal government or its designee.

(v) **Recent Accounting Pronouncements**—In May 2014, the FASB issued Accounting Standards Update 2014-09: Revenue from Contracts with Customers, to clarify the principles used to recognize revenue for all entities. The standard (as amended) is effective for fiscal years beginning after December 15, 2019, and may be adopted early. The Organization is currently evaluating the effect that implementation of the new standard will have on its financial position, results of operations, and cash flows.

In February 2016, the FASB issued Accounting Standards Update 2016-02: Leases (Topic 842), to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements. The standard (as amended) is effective for fiscal years beginning after December 15, 2021, and may be adopted early. The Organization is currently evaluating the effect that implementation of the new standard will have on its financial position, results of operations, and cash flows.

(w) **Subsequent events**—Subsequent to February 29, 2020, local, U.S., and world governments have encouraged self-isolation to curtail the spread of the global pandemic, coronavirus disease (COVID-19), by mandating temporary work stoppage in many sectors and imposing limitations on travel and group meetings. Most industries are experiencing disruption to business operations and the impact of reduced consumer spending. There is unprecedented uncertainty surrounding the duration of the pandemic, its potential economic ramifications, and any government actions to mitigate them. Accordingly, while management cannot quantify the financial and other impact to the Organization as of October 20, 2020, management believes that a material impact on the Organization's financial position and results of future operations is reasonably possible.

During April of 2020, the Organization received loan proceeds in the amount of \$1,636,100, pursuant to the Paycheck Protection Program (PPP) established as part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act). Under the terms of the PPP, loan proceeds and accrued interest are forgivable after eight to 24 weeks based on loan origination date if they are used for qualifying expenses such as payroll, benefits, rent and utilities, and the Organization maintains its payroll levels as described in the CARES Act. Any unforgiven portion of the loans is payable over two to five years at an interest rate of 1%, with a deferral of payments based on the Organization's application for forgiveness. Management intends to utilize loan proceeds for purposes consistent with the PPP and believes substantially all of the loans will be forgiven, though it is reasonably possible that conditions could arise that would make the Organization ineligible for forgiveness of the loans, in whole or in part.

HEART OF FLORIDA HEALTH CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
FEBRUARY 29, 2020

(2) **Property and Equipment:**

Property and equipment were comprised of the following at September 30, 2019:

Buildings	\$ 4,035,666
Land	257,200
Furniture and fixtures	91,898
Computers and software	568,708
Leasehold improvements	707,811
Medical and dental equipment	456,906
	6,118,189
Accumulated depreciation	(1,166,807)
Depreciable assets, net	4,951,382
Construction in process	3,494,578
Total property, plant and equipment, net	\$ 8,445,960

Depreciation expense for the year ended February 29, 2020 was \$259,704.

Building improvements include approximately \$42,000 received in 2010 from the Marion County Board of County Commissioners CDBG Grant for improvements to be made to a dental office. The Organization is obligated to operate the facilities as a dental office for a minimum of twelve years according to the terms of the contract, which will expire in the 2022 fiscal year.

(3) **Retirement Plan:**

The Organization has a defined contribution retirement plan for the benefit of all employees who are at least 18 years old. The plan qualifies under Section 401(k) of the Internal Revenue Code, thereby allowing eligible employees to make tax deductible contributions to the plan. The plan provides for an employer contribution of 3%. The Organization's contribution to the plan for the year ended February 29, 2020, was \$222,227. Amounts expensed in the current year are included in salaries and benefits.

(4) **Related Party Transactions:**

The Board of Directors includes members who are employees of the Ocala Regional Medical Center (ORMC). ORMC provided support for the year ending February 29, 2020, in the amount of \$110,172.

(5) **Line of Credit:**

The Organization has a \$1,000,000 available line of credit with a regional bank collateralized by all accounts at the bank. The line requires monthly interest payments with an interest rate of Prime (5.50% at February 29, 2020). As of February 29, 2020, there was balance of \$55,000 on this line that matures in October 2020.

(6) **Concentrations of Credit Risk:**

Information related to significant concentrations of credit risk for financial instruments owned by the Organization is as follows:

- (a) **Demand deposits with banks**—The Organization had demand deposits with a local bank with bank balances amounting to \$213,148 at February 29, 2020. The Organization does have a deposit policy for custodial credit risk which mandates that cash in interest bearing accounts that exceed the FDIC limit be immediately transferred to the non-interest bearing account to maintain FDIC coverage. At February 29, 2020, the cash balances did not exceed FDIC limits.

HEART OF FLORIDA HEALTH CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
FEBRUARY 29, 2020

(6) **Concentrations of Credit Risk:** (Continued)

(b) **Patient receivables**—Patients receivables are unsecured obligations of patients, private and commercial insurance companies, Medicare and Medicaid. Management recognizes that receivables from Medicaid and Medicare are significant, but does not believe that there are significant credit risks associated with government agencies. The mix of receivables from patients and third-party payors at February 29, 2020 was as follows:

Medicaid	50%
Medicare	16
Self-pay/Sliding fee	27
Private/Commercial	7
	100%

(c) **Revenues**—The Organization received a substantial amount of its funding from U.S. Department of Health and Human Services grants, Munroe Regional Medical Center, and the Marion County Board of County Commissioners. A significant reduction in level of this support, if this were to occur, may have a significant effect on Heart of Florida’s program services. For the year ended February 29, 2020, there were no material concentrations by a single provider.

(7) **Medical Malpractice Claims:**

The Organization obtains professional and general liability insurance to cover medical malpractice claims. To the extent that any claims-made coverage is not renewed or replaced with equivalent insurance, claims based on occurrences during the term of such coverage, but reported subsequently, would be uninsured. Based on the Organization’s incident reporting system, management is currently not aware of any instances that will give rise to a claim. Management anticipates that the claims-made coverage currently in place will be renewed or replaced with equivalent insurance as the term of such coverage expires.

(8) **Contingencies:**

Grants require the fulfillment of certain conditions set forth in the instrument of the grant. Failure to fulfill the conditions could result in the return of the funds to grantors. Although this is a possibility, the Board and management deems the contingency remote, since by accepting the grants and their terms, it has accommodated the objectives of the Organization to the provisions of the grants.

(9) **Commitments:**

The Organization leases office space, office equipment, and networking equipment under operating leases with varying expirations under non-cancelable operating lease agreements. Lease expense totaled \$531,932 for the year ended February 29, 2020.

HEART OF FLORIDA HEALTH CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
FEBRUARY 29, 2020

(9) **Commitments:** (Continued)

Future minimum lease payments required under the above non-cancelable leases as of February 29, 2020, for each of the next five years and in the aggregate are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2021	\$ 399,246
2022	408,137
2023	238,080
	<u>\$ 1,045,463</u>

During 2016, the Organization executed an agreement with a Company to provide software and hosting services for electronic medical records. Under the agreement, the Organization is required to pay a monthly fee based on the number of providers using the service of approximately \$293,000 annually, which terminates March 2021.

At February 29, 2020, the Organization has commitments to provide funding for additional capital improvement projects of approximately \$1,200,000.

(10) **Liquidity and Availability:**

Financial assets available within one year to meet cash needs for general expenditures through February 29, 2020 are as follows:

Financial assets available within one year, at year end:	
Cash	\$ 340,821
Miscellaneous receivables	1,191,367
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,532,188</u>

The Organization receives significant grant funds each year, which are available to meet annual cash needs for general and program expenditures. In the event of unanticipated liquidity need, the Organization has a \$1,000,000 line of credit with \$55,000 drawn at February 29, 2020.

As part of our liquidity management plan, we invest cash in excess of daily requirements in certificates of deposit. Occasionally, the Board designates a portion of any operating surplus to its operating reserve.

SUPPLEMENTARY INFORMATION

**HEART OF FLORIDA HEALTH CENTER, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED FEBRUARY 29, 2020**

<u>Program Title</u>	<u>CFDA Number</u>	<u>Budget Period</u>	<u>Pass-Through Identifying Number</u>	<u>Expenditures</u>
U.S. Department of Health and Human Services				
Direct Programs				
Health Center Program	93.224	3/1/19-2/29/20	6 H80CS12859-10-08	\$ 4,049,098
Health Center Program - Hurricane Response and Recovery	93.224	9/1/18-8/31/20	1 C13CS32065-01-00	176,032
Grants for New and Expanded Services under the Health Center Program	93.527	3/1/19-2/29/20	6 H80CS12859-10-05	111,540
Total Health Center Program Cluster				<u>4,336,670</u>
Passed through Marion County Community Services: Community Development Block Grant	14.218	11/20/19-12/31/25	N/A	421,340
Total U.S. Department of Health and Human Services				<u><u>\$ 4,758,010</u></u>

Note 1: The accompanying Schedule of Expenditures of Federal Awards includes federal award activity of Heart of Florida Health Center, Inc. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

Note 2: None of the federal awards expended by the Organization were in the form of noncash assistance, there was no insurance in effect during the year related to federal awards, there are no awards passed through to subrecipients, nor were there any loans or loan guarantees outstanding at year-end.

Note 3: The matching requirement for each applicable contract was met by the Organization for the period under audit.

Note 4: De Minimis Indirect Cost Rate Election - Heart of Florida Health Center, Inc. does not elect to use the 10% de minimis indirect cost rate as covered in 200.414, Indirect (F&A) costs of the Uniform Guidance.

**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 Board of Directors,
Heart of Florida Health Center, Inc.:

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 Heart of Florida Health Center, Inc. (the Organization), which comprise the statement of financial position as of February 29, 2020, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 20, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Heart of Florida Health Center, Inc.'s internal control over financial reporting (internal control) as a basis for designing 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 Heart of Florida Health Center, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Heart of Florida Health Center, Inc.'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

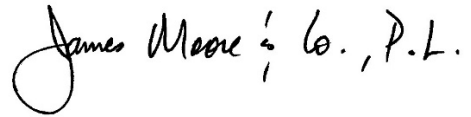
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not 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 Heart of Florida Health Center, 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 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.

James Moore & Co., P.L.

Gainesville, Florida
October 20, 2020

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

To the Board of Directors,
Heart of Florida Health Center, Inc.:

Report on Compliance for Each Major Federal Program

We have audited Heart of Florida Health Center, Inc.'s (the Organization) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of Heart of Florida Health Center, Inc.'s major federal programs for the year ended February 29, 2020. Heart of Florida Health Center, 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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Heart of Florida Health Center, 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 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 Heart of Florida Health Center, 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 Heart of Florida Health Center, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Heart of Florida Health Center, 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 February 29, 2020.

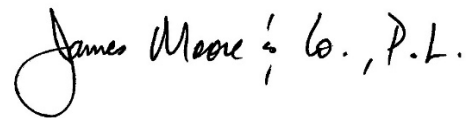
Report on Internal Control Over Compliance

Management of Heart of Florida Health Center, 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 Heart of Florida Health Center, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program as a basis for designing 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 Heart of Florida Health Center, 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 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.

James Moore & Co., P.L.

Gainesville, Florida
October 20, 2020

**HEART OF FLORIDA HEALTH CENTER, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED FEBRUARY 29, 2020**

Section I. Summary of Auditors' Results:

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? Yes None Reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? 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 200.516a of the Uniform Guidance? Yes No

Identification of major programs: CFDA No. 93.527, and 93.224 Health Center Program Cluster

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

Auditee qualified as a low-risk auditee? Yes No

Section II. Findings Relating to the Financial Statements Which are Required to be Reported in Accordance with *Government Auditing Standards*:

None noted

Section III. Findings and Questions Costs for Federal Awards

None noted

Section IV. Prior Audit Findings

None noted