



FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

CPAs / ADVISORS



4C HEALTH

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REPORT OF INDEPENDENT AUDITORS

Board of Directors
4C Health
Rochester, Indiana

Report on the Audit of Financial Statements

Opinion

We have audited the accompanying financial statements of 4C Health, a nonprofit organization, which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of 4C Health as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the Uniform Compliance Guidelines for Examination of Entities Receiving Financial Assistance from Governmental Sources, issued by the Indiana State Board of Accounts. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audits of the Financial Statements section of our report. We are required to be independent of 4C Health and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about 4C Health's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing audits in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgement and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audits 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 4C Health's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about 4C Health's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits, significant audit findings, and certain internal control related matters that we identified during the audits.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2022, on our consideration of 4C Health'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 4C Health'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 4C Health's internal control over financial reporting and compliance.

Blue & Co., LLC

Indianapolis, Indiana
December 6, 2022

4C HEALTHSTATEMENTS OF FINANCIAL POSITION
JUNE 30, 2022 AND 2021**ASSETS**

	2022	2021
Current assets		
Cash	\$ 2,846,121	\$ 2,564,382
Patient accounts receivable	1,096,972	1,210,944
Investments	37,370,795	31,215,414
Other receivables	1,866,299	2,042,490
Prepaid expenses and other	276,282	259,179
Total current assets	43,456,469	37,292,409
Property and equipment, net	7,260,373	6,698,397
Total assets	\$ 50,716,842	\$ 43,990,806

LIABILITIES AND NET ASSETS

Current liabilities		
Accounts payable and other liabilities	\$ 310,496	\$ 219,113
Accrued payroll and benefits	1,735,050	1,780,388
Current portion of long-term debt	66,109	63,802
Estimated third-party settlements	2,992,400	4,395,856
Total current liabilities	5,104,055	6,459,159
Long-term liabilities		
Long-term debt	291,812	357,641
Total long-term liabilities	291,812	357,641
Total liabilities	5,395,867	6,816,800
Net assets without donor restrictions	45,320,975	37,174,006
Total liabilities and net assets	\$ 50,716,842	\$ 43,990,806

4C HEALTH

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS YEARS ENDED JUNE 30, 2022 AND 2021

	2022	2021
Revenue and support		
Patient service revenue	\$ 27,530,714	\$ 26,268,121
Other operating revenue	646,100	546,392
Public support		
Federal funds	5,815,989	3,762,164
State and local funds	348,393	473,397
County funds	705,468	675,810
Disproportionate Share	159,301	100,000
Administrative outreach	1,862,771	1,623,382
Other grants	159,975	78,955
Total public support	<u>9,051,897</u>	<u>6,713,708</u>
Total revenue and support	37,228,711	33,528,221
Operating expenses		
Salaries and wages	18,587,911	16,243,695
Employee benefits	3,870,480	3,391,106
Contract services, maintenance, utilities and other operating expenses	5,001,348	3,707,639
Purchased services and insurance	296,496	372,549
Travel	500,346	353,994
Lease	50,393	191,171
Medical, living allotment and supplies	136,445	353,360
Depreciation	660,518	898,379
Interest	13,215	16,681
Total operating expenses	<u>29,117,152</u>	<u>25,528,574</u>
Operating income	8,111,559	7,999,647
Nonoperating revenue (expense), net		
Gain on debt forgiveness	-0-	1,750,000
Loss on disposal of property and equipment	(191,506)	(65,599)
Investment return, net	83,856	215,676
Other income	143,060	355,766
Total nonoperating revenue, net	<u>35,410</u>	<u>2,255,843</u>
Excess of revenues over expenses / change in net assets	8,146,969	10,255,490
Net assets, beginning of year	<u>37,174,006</u>	<u>26,918,516</u>
Net assets, end of year	<u><u>\$ 45,320,975</u></u>	<u><u>\$ 37,174,006</u></u>

See accompanying notes to financial statements.

4C HEALTH

STATEMENTS OF FUNCTIONAL EXPENSES YEARS ENDED JUNE 30, 2022 AND 2021

	2022			2021		
	Healthcare Services	General and Administrative	Total	Healthcare Services	General and Administrative	Total
Expenses						
Salaries and wages	\$ 14,815,683	\$ 3,772,228	\$ 18,587,911	\$ 13,393,479	\$ 2,850,216	\$ 16,243,695
Employee benefits	3,273,256	597,224	3,870,480	2,779,048	612,058	3,391,106
Contract services, maintenance, utilities and other operating expenses	3,637,712	1,363,636	5,001,348	2,762,916	944,723	3,707,639
Purchased services and insurance	4,654	291,842	296,496	301,477	71,072	372,549
Travel	461,529	38,817	500,346	320,288	33,706	353,994
Lease	6,352	44,041	50,393	154,701	36,470	191,171
Medical, living allotment and supplies	65,854	70,591	136,445	205,524	147,836	353,360
Depreciation	554,189	106,329	660,518	726,993	171,386	898,379
Interest	10,630	2,585	13,215	13,499	3,182	16,681
Total expenses	<u>\$ 22,829,859</u>	<u>\$ 6,287,293</u>	<u>\$ 29,117,152</u>	<u>\$ 20,657,925</u>	<u>\$ 4,870,649</u>	<u>\$ 25,528,574</u>

See accompanying notes to financial statements.

4C HEALTH

STATEMENTS OF CASH FLOWS YEARS ENDED JUNE 30, 2022 AND 2021

	2022	2021
Operating activities		
Changes in net assets	\$ 8,146,969	\$ 10,255,490
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	660,518	898,379
Loss on disposition of assets	191,506	65,599
Gain on debt forgiveness - PPP	-0-	(1,750,000)
Net unrealized and realized (gain) loss on investments	123,676	(6,650)
Changes in operating assets and liabilities		
Patient accounts receivable	113,972	254,895
Other receivables	176,191	255,082
Prepaid expenses and other	(17,103)	77,593
Accounts payable and other liabilities	91,383	37,360
Accrued payroll and benefits	(45,338)	122,512
Estimated third-party settlements	(1,403,456)	2,728,467
Net cash flows from operating activities	8,038,318	12,938,727
Investing activities		
Additions to property and equipment	(1,423,300)	(3,290,691)
Purchase of investments	(23,367,334)	(31,202,879)
Maturity of investments	17,088,277	19,403,756
Proceeds from disposal of property and equipment	9,300	113,442
Net cash flows from investing activities	(7,693,057)	(14,976,372)
Financing activities		
Principal payments on long-term debt	(63,522)	(167,711)
Net cash flows from financing activities	(63,522)	(167,711)
Change in cash	281,739	(2,205,356)
Cash, beginning of year	2,564,382	4,769,738
Cash, end of year	\$ 2,846,121	\$ 2,564,382
Non-cash investing and financing activities		
Gain on debt forgiveness - PPP	\$ -0-	\$ 1,750,000

See accompanying notes to financial statements.

4C HEALTH

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022 AND 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Four County Health Comprehensive Mental Health Center, Inc. d/b/a 4C Health (4C Health), formerly known as Four County, was incorporated in accordance with the Indiana Not-For-Profit Corporation Act. 4C Health is committed to increasing access to a continuum of care while integrating physical and behavioral health well-being. 4C Health employs qualified psychiatrists, psychologists, social workers, and others to consult with and treat individuals using the facilities of 4C Health. These services are currently delivered throughout several Indiana counties throughout north central Indiana and include outpatient care, partial hospitalization, home based and school-based services, substance abuse treatment and prevention, consultation, screening, 24-hour emergency services, community support and education, inpatient treatment and residential services. 4C Health receives a majority of its revenue from client services and federal, state and county grants.

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. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

4C Health considers highly liquid investments available for operating purposes with an original maturity of 90 days or less to be cash and cash equivalents. 4C Health maintains its cash in bank deposits accounts, which, at times may exceed federally insured limits. 4C Health has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents. As of June 30, 2022 and 2021, 4C Health did not hold any cash equivalents.

Patient Accounts Receivable

Patient accounts receivable are recorded at net realizable value based on certain assumptions determined by each payor. For third-party payors including Medicare, Medicaid, commercial and managed care, the net realizable value is based on the estimated contractual reimbursement percentage, which is based on current contract prices or historical paid claims data by payor. For self-pay accounts receivable, which includes patients who are uninsured and the patient responsibility portion for patients with insurance, the net realizable value is determined using estimates of historical collection experience without regard to aging category. These estimates are adjusted for estimated conversions of patient responsibility portions, expected recoveries and any anticipated changes in trends. Patient accounts receivable as of July 1, 2020 approximated \$1,466,000.

4C HEALTH

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022 AND 2021

Patient accounts receivable can be impacted by the effectiveness of 4C Health's collection efforts. Additionally, significant changes in payor mix, business office operations, economic conditions, or trends in federal and state governmental healthcare coverage could affect the net realizable value of accounts receivable. 4C Health also continually reviews the net realizable value of accounts receivable by monitoring historical cash collections as a percentage of trailing net operating revenues, as well as by analyzing current period net revenue and admissions by payor classification, aged accounts receivable by payor, days revenue outstanding, the composition of self-pay receivables between pure self-pay patients and the patient responsibility portion of third-party insured receivables.

Final settlements for some payors and programs are subject to adjustment based on administrative review and audit by third parties. As a result of these final settlements, 4C Health has recorded amounts due to third-party. Given the current regulatory and reimbursement environment, there can be no assurances that adequate reimbursement levels will continue to be available for the services provided by 4C Health. Significant limits on the scope of services reimbursed and on reimbursement rates and fees could have a material adverse effect on 4C Health's liquidity, financial position, results of operations and cash flows.

Investments and Investment Income

Investments consist of certificates of deposit, mutual funds, and insured cash sweep accounts. Certificates of deposit and insured cash sweep accounts are reported at contract value which approximates fair value. The mutual funds are reported at fair value. Investment income, net of any investment expenses, includes interest and net realized and unrealized gains and losses are reported as nonoperating revenue in the statements of activities and changes in net assets. Interest income is recorded on the accrual basis.

Other Receivables

Other receivables consist primarily of amounts due from grants, administrative outreach, Medicaid Rehabilitation Option (MRO) and county taxes. These receivables are expected to be collected during fiscal year 2023.

Property, Equipment and Depreciation

Property and equipment are stated at cost, or if donated, at fair market value at the date of donation, and include expenditures for new additions and repairs which substantially increase the useful lives of existing property and equipment. Maintenance, repairs, and minor renewals are expensed as incurred. When properties are retired or otherwise disposed of, the related cost and accumulated depreciation are removed from the accounts and any resulting gain or loss for the period is recognized.

Depreciation is provided over the estimated useful life of each class of depreciable asset ranging from 3 to 40 years and is computed using the straight-line method.

Financial Statement Presentation and Net Assets

The accompanying financial statements have been prepared on the accrual basis and have been prepared with a focus on the entity as a whole. Net assets, support, revenues, gains, and losses are classified based on the existence or absence of donor restrictions.

4C HEALTH

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022 AND 2021

Accordingly, the net assets of 4C Health are classified and reported as follows:

- Net assets without donor restrictions: Net assets that are currently available for operating purposes under the direction of the board or designated by the board for specific use.
- Net assets with donor restrictions: Net assets subject to donor stipulations for specific operating purposes or time restrictions. These include donor restrictions requiring the net assets be held in perpetuity or for a specified term with investment return available for operations or specific purposes. As of June 30, 2022 and 2021, 4C Health did not have any net assets with donor restrictions.

Patient Service Revenue

Patient service revenue is reported at the amount that reflects the consideration to which 4C Health expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payors (including health insurers and government payors), and others and includes variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations. Generally, 4C Health bills the patients and third-party payors several days after the services are performed or the patient is discharged from the facility. Revenue is recognized as the performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided by 4C Health. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. 4C Health believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to patients receiving inpatient care services or patients receiving services in outpatient centers, including medical clinic, resident and school-based services. 4C Health measures the performance obligation from admission into 4C Health, or the commencement of an outpatient service, to the point when it is no longer required to provide services to that patient, which is generally at the time of discharge or completion of the outpatient services. The method of reimbursement for 4C Health is fee for service. The timing of revenue and recognition for healthcare services is transferred over time.

Because all of its performance obligations relate to contracts with a duration of less than one year, 4C Health has elected to apply the optional exemption provided in Financial Accounting Standards Board's Accounting Standards Codification 606-10-50-14a and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period.

The unsatisfied or partially unsatisfied performance obligations referred to previously are primarily related to inpatient care services at the end of the reporting period. The performance obligations for these contracts are generally completed when the patients are discharged, which generally occurs within days or weeks of the end of the reporting period. 4C Health determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with 4C Health's policy, or implicit price concessions provided to uninsured patients. 4C Health determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policies, and historical experience. 4C Health determines its estimate of implicit price concessions based on its historical collection experience with this class of patients.

4C HEALTH

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022 AND 2021

Agreements with third-party payors provide for payments at amounts less than established charges. A summary of the payment arrangements with major third-party payors follows:

- Medicare - Certain inpatient care services are paid at prospectively determined rates per discharge based on clinical, diagnostic, and other factors. Certain services are paid based on cost-reimbursement methodologies subject to certain limits. Outpatient services are paid using prospectively determined rates.
- Medicaid and Medicaid Rehabilitation Option (MRO) - Reimbursements for Medicaid services are generally paid at prospectively determined rates per discharge, per occasion of service, or per covered member.
- Other - Payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations provide for payment using prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

Medicaid and Hospital Assessment Fee (HAF) and Healthy Indiana Plan (HIP) Programs

4C Health participates in the State of Indiana's HAF Program. The purpose of the HAF Program is to fund the State share of enhanced Medicaid payments and Medicaid Disproportionate Share payments for qualified Indiana healthcare providers and as reflected in the expense for the HAF and HIP Programs reported in the statements of activities and changes in net assets. Previously, the State share was funded by governmental entities through intergovernmental transfers.

The Medicaid enhanced payments relate to both fee for service and managed care claims. The Medicaid enhanced payments are designed to follow the patients and result in increased Medicaid rates. Beginning July 1, 2017, the qualified Indiana healthcare providers also started funding HIP, the State's Medicaid expansion program. The payments related to the HIP Program mirror the Medicaid payments under the HAF Program, but the funding includes physician, state administration, and certain other expenditures. 4C Health participates in the HAF and HIP Programs and recognized expenses of approximately \$831,000 and \$672,000 during 2022 and 2021, respectively, which resulted in increased Medicaid reimbursement. The expense for the HAF and HIP Programs are included in the statements of activities and changes in net assets as operating expenses within contract services, maintenance, utilities, and other operating expenses.

The Medicaid rate increases under the HAF and HIP Programs are included in patient service revenue in the statements of activities and changes in net assets.

Laws and regulations concerning government programs, including Medicare and Medicaid, are complex and subject to varying interpretation. As a result of investigations by governmental agencies, various health care entities have received requests for information and notices regarding alleged noncompliance with those laws and regulations, which, in some instances, have resulted in providers entering into significant settlement agreements. Compliance with such laws and regulations may also be subject to future government review and interpretation as well as significant regulatory action, including fines, penalties, and potential exclusion from the related programs. There can be no assurance that regulatory authorities will not challenge 4C Health's compliance with these laws and regulations, and it is not possible to determine the impact (if any) such claims or penalties would have upon 4C Health. In addition, the contracts 4C Health has with commercial payors also provide for retroactive audit and review of claims.

4C HEALTH

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022 AND 2021

Settlements with third-party payors for retroactive revenue adjustments due to audits, reviews or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor and 4C Health's historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known (that is, new information becomes available), or as years are settled or are no longer subject to such audits, reviews, and investigations.

Consistent with 4C Health's mission, care is provided to patients regardless of their ability to pay. Therefore, 4C Health has determined it has provided implicit price concessions to uninsured patients and other uninsured balances (for example, copays and deductibles). The implicit price concessions included in estimating the transaction price represents the difference between amounts billed to patients and the amounts 4C Health expects to collect based on its collection history with those patients. Patients who meet 4C Health's criteria for charity care are provided care without charge or at amounts less than established rates. Such amounts determined to qualify as charity care are not reported as revenue.

Generally, patients who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. 4C Health also provides services to uninsured patients and offers those uninsured patients a discount, either by policy or law, from standard charges. 4C Health estimates the transaction price for patients with deductibles and coinsurance and from those who are uninsured based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts, and implicit price concessions based on historical collection experience. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient service revenue in the period of the change. Subsequent changes that are determined to be the result of an adverse change in the patient's ability to pay are recorded as bad debt expense.

4C Health has determined that the nature, amount, timing, and uncertainty of revenue and cash flows are affected by the following factors:

- Payors (for example, Medicare, Medicaid, managed care or other insurance, patient) have different reimbursement and payment methodologies
- Length of the patient's service or episode of care
- Geography of the service location
- Method of reimbursement (fee for service or capitation)
- 4C Health's line of business that provided the service (for example, inpatient, residential, case management, crisis intervention, outpatient counseling, substance abuse programs, consultative services, and so on)

For 2022 and 2021, 4C Health recognized revenue of approximately \$27,531,000 and \$26,268,000, respectively, from goods and services that transfer to the patient over time and none from goods and services that transfer to the patient at a point in time.

4C HEALTH

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022 AND 2021

A summary of patient service revenue for 2022 and 2021 follows:

	2022	2021
Gross service charges		
Inpatient	\$ 3,363,548	\$ 3,653,713
Outpatient and other	40,818,325	39,225,714
	<u>44,181,873</u>	<u>42,879,427</u>
Less deductions		
Charity care	3,778	19,128
Contractual allowances	16,390,311	16,061,583
Implied price concessions	257,070	530,595
	<u>16,651,159</u>	<u>16,611,306</u>
Patient service revenue	<u>\$ 27,530,714</u>	<u>\$ 26,268,121</u>

A summary of patient service revenue by payor type and service line for 2022 and 2021 follows:

	2022	2021
Payor type		
Medicaid	\$ 24,014,289	\$ 22,717,709
Self-pay	664,937	335,059
Medicare	965,761	1,164,326
Other third party payors	1,885,727	2,051,027
	<u>\$ 27,530,714</u>	<u>\$ 26,268,121</u>
Service line		
Inpatient	\$ 2,052,361	\$ 2,430,668
Outpatient	4,468,037	5,335,240
Medical clinic	2,022,705	2,281,232
Residential and school-based	18,987,611	16,220,981
	<u>\$ 27,530,714</u>	<u>\$ 26,268,121</u>

Charity Care

4C Health provides care without charge or at amounts less than its established rates to patients who meet certain criteria under its charity care policy. Because 4C Health does not collect amounts deemed to be charity care, they are not reported as revenue.

Of 4C Health's total expenses reported within the statements of activities and changes in net assets, an estimated \$2,000 and \$11,000 arose from providing services to charity patients during 2022 and 2021, respectively. The estimated costs of providing charity services are based on a calculation which applies a ratio of costs to charges to the gross uncompensated charges associated with providing care to charity patients.

4C HEALTH

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022 AND 2021

The ratio of cost to charges is calculated based on 4C Health's total expenses divided by gross patient service revenue. 4C Health's policies and procedures related to patient services for implied price concessions and charity care were not changed during 2022 and 2021.

Public Support, Contributions and Grants

A portion of 4C Health's 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. Receipt of these funds is subject to the fulfillment of certain obligations by 4C Health as prescribed by these programs and funds may be subject to repayment upon a determination of noncompliance made by a funding agency. Furthermore, 4C Health has a contract with the Division of Mental Health and Addiction to provide community mental health services. The State of Indiana has a performance-based reimbursement system. Under this program, 4C Health is paid a fixed quarterly amount for outcome measures and a performance based quarterly amount for process measures with a possible bonus at year-end. Amounts received are recognized as revenue when 4C Health has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures would be reported as refundable advances in the statements of financial position.

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions depending on the existence and/or nature of any donor restrictions. 4C Health recognizes all contributions as income in the period received. All contributions are considered to be without donor restrictions unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities and changes in net assets as net assets released from restrictions. Contributions that are received and whose restrictions are satisfied within the same reporting period are reported as net assets without donor restrictions. 4C Health also evaluates whether a contribution is unconditional or conditional based on the absence or presence of barriers and any right of return provisions.

Indiana state law stipulates that the counties served by comprehensive community mental health centers provide the centers a minimum designated amount as well as a maximum appropriation. Tax receipts are designated to be remitted to the centers by June and December of each year. 4C Health recognizes the county tax receipts as income in the period the funds are due from the counties. Accordingly, amounts are recorded as other receivables or deferred revenue based upon the timing of the actual receipts.

4C Health derives a significant portion of its revenue from third-party payors and federal and state funding programs. The receipt of future revenues by 4C Health is subject to among other factors, federal and state policies affecting the health care industry, economic conditions that may include an inability to control expenses in periods of inflation, increased competition, market pressures on premium rates and other conditions, which are impossible to predict.

4C HEALTH

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022 AND 2021

Administrative Outreach

4C Health participates in the Medicaid Funds Recovery Program which is presented as administrative outreach within the statements of activities and changes in net assets. Funding for this program is available through the Medicaid Program for certain administrative activities. Funding under this program is available only to those providers who are certified as Managed Care Providers or Community Mental Health Centers by the Division of Mental Health and Addiction. Amounts due to 4C Health for these funds are included in other receivables within the statements of financial position.

Functional Expense Allocation

Certain costs have been allocated among the healthcare and program services and general and administrative categories based on the actual direct expenditures and cost allocations based on time spent by 4C Health's personnel. Other expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include contract services, maintenance, utilities, travel, lease, medical, living allotment and supplies, depreciation, interest and other which are allocated based on the ratio of direct costs charged to the category to total direct costs as well as salaries, wages and benefits, which are allocated based on estimates of time and effort. Although the methods used were appropriate, alternative methods may provide different results.

Advertising

4C Health expenses advertising costs as they are incurred. Advertising expense for the years ended June 30, 2022 and 2021 was approximately \$23,000 and \$63,000, respectively.

Performance Indicator

The statements of activities and changes in net assets include a performance indicator called excess of revenue over expenses. Consistent with industry practice, the performance indicator does not include certain changes in net assets without donor restrictions such as contributions of long-lived assets, as applicable.

Income Taxes

4C Health is a not-for-profit corporation that is exempt from income taxes under Section 501(c)(3) of the United States Internal Revenue Code. The exemption is on all income except unrelated business income as noted under Section 511 of the Internal Revenue Code. Internal Revenue Code Section 513(a) defines an unrelated trade or business of an exempt organization as any trade or business which is not substantially related to the exercise or performance of its exempt purpose.

As such, 4C Health is generally exempt from income taxes. However, 4C Health is required to file Federal Form 990 – Return of Organization Exempt from Income Tax which is an informational return only.

4C HEALTH

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022 AND 2021

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by 4C Health and recognize a tax liability if 4C Health has taken an uncertain position that more likely than not would not be sustained upon examination by various federal and state taxing authorities. Management has analyzed the tax positions taken by 4C Health, and has concluded that as of June 30, 2022 and 2021, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the accompanying financial statements. 4C Health has filed its federal and state income tax returns for periods through June 30, 2021 and is subject to routine audits by taxing jurisdictions.

As of the date the financial statements were available to be issued, there were no audits for any tax periods in progress. These income tax returns are generally open to examination by the relevant taxing authorities for a period of three years from the later of the date the return was filed or its due date (including approved extensions).

Reclassifications

Certain 2021 balances were reclassified to conform to the current year presentation. There was no impact to the previously reported net assets as a result of these reclassifications.

Subsequent Events

4C Health has evaluated events or transactions occurring subsequent to the financial position date for recognition and disclosure in the accompanying financial statements through the date the financial statements were available to be issued which is December 6, 2022.

Recently Issued Accounting Standard

In February 2016, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2016-02, Leases (Topic 842). 4C Health is not required to adopt this ASU until its fiscal year ending June 30, 2023. The ASU is intended to improve financial reporting about leasing transactions by requiring entities that lease assets to recognize on their statement of financial position the assets and liabilities for the rights and obligations created by those leases, and to provide additional disclosures regarding the leases. Leases with terms (as defined in the ASU) of twelve months or less are not required to be reflected on an entity's statement of financial position.

4C Health is presently evaluating the effects that this ASU will have on its future financial statements, including related disclosures.

4C HEALTH

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022 AND 2021

2. INVESTMENTS AND FAIR VALUE MEASUREMENTS

Investments consist of certificates of deposit, mutual funds, and insured cash sweep accounts. 4C Health holds investments which are exposed to various risks such as interest rate, market, and credit. Due to the level of risk associated with these securities and the level of uncertainty related to the changes in the value, it is at least reasonably possible that changes in the various risk factors will occur in the near term that could materially affect the amounts reported in the accompanying financial statements.

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy are described as follows:

- Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that 4C Health has the ability to access.
- Level 2: Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used during 2022 and 2021.

- *Mutual funds*: Valued at the daily closing price as reported by the fund. Exchange traded funds and mutual funds held by 4C Health are open-end funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The exchange traded funds and mutual funds held by 4C Health are deemed to be actively traded.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although 4C Health believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

4C HEALTH

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022 AND 2021

The following table sets forth by level, within the hierarchy, 4C Health's assets and liabilities measured at fair value on a recurring basis as of June 30, 2022 and 2021 is as follows:

June 30, 2022				
	Total	Level 1	Level 2	Level 3
Assets				
Investments				
Mutual Funds				
Large blend	\$ 808,886	\$ 808,886	\$ -0-	\$ -0-
Total investments at fair value	808,886	\$ 808,886	\$ -0-	\$ -0-
Certificates of deposit*	2,166,710			
Cash account*	34,395,199			
Total	<u>\$ 37,370,795</u>			
June 30, 2021				
	Total	Level 1	Level 2	Level 3
Assets				
Investments				
Mutual Funds				
Large blend	\$ 206,751	\$ 206,751	\$ -0-	\$ -0-
Total investments at fair value	206,751	\$ 206,751	\$ -0-	\$ -0-
Certificates of deposit*	18,043,958			
Cash account*	12,964,705			
Total	<u>\$ 31,215,414</u>			

*Reported at contract value

Investment return, net consists of the following for 2022 and 2021:

	2022	2021
Interest income	\$ 207,532	\$ 209,026
Net realized and unrealized gain (loss) on investments	(123,676)	6,650
	<u>\$ 83,856</u>	<u>\$ 215,676</u>

3. PROPERTY AND EQUIPMENT

A summary of property and equipment as of June 30, 2022 and 2021 follows:

	2022	2021
Land	\$ 394,500	\$ 394,500
Buildings and improvements	11,975,999	11,754,667
Equipment and other	1,950,164	3,169,387
	14,320,663	15,318,554
Less accumulated depreciation	7,060,290	8,620,157
Property and equipment, net	<u>\$ 7,260,373</u>	<u>\$ 6,698,397</u>

4C HEALTH

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022 AND 2021

4. LONG-TERM DEBT

A summary of long-term debt as of June 30, 2022 and 2021 follows:

	2022	2021
3.375% fixed rate commercial loan payable to a bank in monthly installments of \$6,391 including interest, due July 2027; collateralized by property with a net book value of approximately \$300,000 as of June 30, 2022.	357,921	421,443
Less current portion	66,109	63,802
Total long-term debt	<u>\$ 291,812</u>	<u>\$ 357,641</u>

Scheduled maturities of long-term debt for the years succeeding June 30, 2022 are listed below.

Year Ending June 30,	
2023	\$ 66,109
2024	68,356
2025	70,724
2026	73,152
2027	79,580
	<u>\$ 357,921</u>

4C Health paid approximately \$13,000 and \$26,000 in interest for the years ended June 30, 2022 and 2021, respectively. 4C Health's long-term debt instruments do not contain restrictive financial covenants.

Effective May 18, 2020, 4C Health received a low interest loan in the amount of \$1,750,000 under the Paycheck Protection Program (PPP) administered by the Small Business Administration (SBA). The PPP loan was unsecured, bore interest at 1% and funds advanced under the program were subject to forgiveness, if certain criteria was met, with the remaining balance repayable within two years of disbursement.

The PPP loan was to be forgivable to the extent that employers incur and spend the funds on qualified expenditures, which include payroll, employee health insurance, rent, utilities and interest costs during the covered period as defined by the PPP guidance. In addition, employers must have maintained specified employment and wage levels during the pandemic and submit adequate documentation of such expenditures to qualify for loan forgiveness. 4C Health elected to account for the PPP loan as debt and recognize any forgiveness when it was legally forgiven by the SBA. During January 2021, 4C Health received notice of forgiveness from the SBA. As such, during 2021, 4C Health recognized \$1,750,000 as gain on debt forgiveness within nonoperating revenue in the statements of activities and changes in net assets.

4C HEALTH

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022 AND 2021

5. COMMITMENTS AND CONTINGENCIES

Medical Malpractice

4C Health purchases professional and general liability insurance to cover medical malpractice claims. There are known claims and incidents that may result in the assertion of additional claims, as well as claims from unknown incidents that may be asserted arising from services provided to patients.

The Indiana Medical Malpractice Act, IC 34-18 (Act) provides a maximum recovery of \$1,800,000. The Act requires 4C Health to maintain medical malpractice liability insurance in the amount of at least \$500,000 per occurrence (\$10,000,000 in the annual aggregate). The Act also requires 4C Health to pay a surcharge to the State Patient's Compensation Fund (Fund).

The Fund is used to pay medical malpractice claims in excess of per occurrence and the annual aggregate amounts as noted above, under certain terms and conditions. No accrual for possible losses attributable to incidents that may have occurred but that have not been identified has been made because the amount, if any, is not reasonably estimable. The Fund is on a claims-made basis and as long as this coverage is continuous or replaced with equivalent insurance, claims based on occurrences during its term but reported subsequently will be insured.

Accounting principles generally accepted in the United States of America require a health care provider to accrue the expense of its share of malpractice claim costs, if any, for any reported and unreported incidents of potential improper professional service occurring during the year by estimating the probable ultimate costs of the incidents. Based upon 4C Health's claim experience, no such accrual has been made. It is reasonably possible that this estimate could change materially in the near term.

Litigation

4C Health is involved in certain litigation arising in the course of business. After consultation with legal counsel, management estimates that these matters will be resolved without material adverse effect on 4C Health's future financial position, results from operations and cash flows.

6. SELF-INSURED HEALTH, DENTAL AND SHORT-TERM DISABILITY PLAN

4C Health provides self-insured health, dental and short-term disability benefits to its employees. The related costs for 2022 and 2021 are \$1,672,000 and \$1,377,000, respectively. 4C Health purchased insurance which limits its exposure for individual claims to \$55,000 and an aggregate exposure of approximately \$1,900,000.

4C HEALTH

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022 AND 2021

7. CONCENTRATIONS OF CREDIT RISK

4C Health is primarily located in north central Indiana. 4C Health grants credit without collateral to its patients, most of who are residents in areas 4C Health serves. Gross patient accounts receivable and gross patient service revenue from patients and third-party payors were composed as follows as of June 30:

	Receivable		Revenue	
	2022	2021	2022	2021
Medicaid	65%	59%	87%	86%
Medicare	7%	4%	2%	5%
Other Third Party Payors	22%	36%	4%	8%
Patients	6%	1%	7%	1%
	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

8. LIQUIDITY AND AVAILABILITY OF RESOURCES

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

	2022	2021
Financial assets		
Cash	\$ 2,846,121	\$ 2,564,382
Patient accounts receivable	1,096,972	1,210,944
Investments	37,370,795	31,215,414
Other receivables	1,866,299	2,042,490
	<u>\$ 43,180,187</u>	<u>\$ 37,033,230</u>

4C Health's policy is to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, as part of its liquidity management, 4C Health invests cash in excess of established requirements in certificates of deposit and mutual funds.

9. RELATED PARTY TRANSACTIONS

4C Health had a Facility Participation Agreement with Affiliated Service Providers of Indiana, Inc. (ASPIN) to provide behavioral health care covered services in ASPIN's network. 4C Health received approximately \$955,000 and \$1,295,000, respectively, in State and Federal pass through funds from ASPIN for the years ended June 30, 2022 and 2021. In addition, 4C Health paid approximately \$15,000 in membership fees to ASPIN for the years ended June 30, 2022 and 2021. Effective June 30, 2022, 4C Health terminated its relationship with ASPIN.

4C HEALTH

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022 AND 2021

10. STATE, LOCAL, AND COUNTY FUNDING

During June 30, 2022 and 2021, 4C Health received and expended the following state, local and county funding:

Grantor	2022	2021
State and local funding		
Indiana Division of Mental Health and Addiction Managed Care Provider Agreement	\$ 348,393	\$ 473,397
County funding		
Cass, Miami, Fulton and Pulaski County tax levies	705,468	675,810
Total state, local and county awards	<u>\$ 1,053,861</u>	<u>\$ 1,149,207</u>

11. RETIREMENT PLAN

4C Health maintains a contributory defined contribution plan, which covers substantially all employees. 4C Health's policy is to calculate the retirement plan expense annually and fund the plan based upon this calculation. This calculation for 2022 and 2021 was 5% of eligible participant's compensation. 4C Health recognized retirement plan expense of \$607,000 and \$584,000 for 2022 and 2021, respectively.

12. COVID-19

On March 11, 2020, the World Health Organization declared Coronavirus (COVID-19) a pandemic. The continued spread of COVID-19, or any similar outbreaks in the future, may adversely impact the local, regional, national, and global economies. The extent to which COVID-19 impacts 4C Health's results is dependent on the breadth and duration of the pandemic and could be affected by other factors 4C Health is not currently able to predict. These impacts may include, but are not limited to, additional costs for responding to COVID-19, potential shortages of healthcare personnel, potential shortages of clinical supplies, loss of, or reduction to, revenue, and investment portfolio declines. Management believes 4C Health is taking appropriate actions to respond to the pandemic, however, the full impact is unknown and cannot be reasonably estimated at the date the financial statements were available to be issued.

During 2022 and 2021, Provider Relief Fund (PRF) grants authorized under the Coronavirus Aid, Relief, and Economic Security (CARES) Act and grants authorized under the American Rescue Plan Act (ARP) were distributed to healthcare providers impacted by the outbreak of the COVID-19 pandemic under Federal Assistance Listing Number 93.498. 4C Health received approximately \$1,374,000 and \$3,113,000 of PRF and ARP grants during 2022 and 2021, respectively. PRF and ARP grants are recognized to the extent 4C Health meets the terms and conditions of the grants and to the extent of expenses incurred specific to responding to the COVID-19 pandemic. Eligible expenses must not be reimbursed from another source and not obligated to be reimbursed from another source. PRF and ARP grants that are not fully expended on eligible expenses can then be applied to lost revenues as defined by the guidance issued by the grantor.

4C HEALTH

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022 AND 2021

4C Health recognized PRF and ARP amounts of approximately \$3,113,000 and \$454,000 as Federal funds within revenue and support in the statements of activities and changes in net assets during 2022 and 2021, respectively. PRF and ARP amounts of approximately \$1,374,000 and \$3,113,000 were refundable advances included within estimated third party settlements in the statements of financial position as of June 30, 2022 and 2021, respectively.

Compliance with the terms and conditions as set forth related to qualifying COVID-19 expenses and lost revenues may also be subject to future government review and interpretation. There can be no assurance that regulatory authorities will not challenge 4C Health's compliance with the terms and conditions as set forth related to qualifying COVID-19 expenses and lost revenues, and it is not possible to determine the impact (if any) such claims would have upon 4C Health's financial position.



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**REPORT OF INDEPENDENT AUDITORS 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**

Board of Directors
4C Health
Rochester, Indiana

Report on the Financial Statements

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; and the Uniform Compliance Guidelines for Examination of Entities Receiving Financial Assistance from Governmental Sources, issued by the Indiana State Board of Accounts, the financial statements of 4C Health, a nonprofit organization, which comprise the statement of financial position as of June 30, 2022, and the related statements of activities and changes in net assets, 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 December 6, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered 4C Health'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 4C Health's internal control. Accordingly, we do not express an opinion on the effectiveness of 4C Health'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 4C Health'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 or significant deficiencies may exist that have not been identified.

Board of Directors
4C Health
Rochester, Indiana

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether 4C Health'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 4C Health's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering 4C Health's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Blue & Co., LLC

Indianapolis, Indiana
December 6, 2022



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

Board of Directors
4C Health
Rochester, Indiana

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited 4C Health's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of 4C Health's major federal programs for the year ended June 30, 2022. 4C Health's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, 4C Health complied, in all material respects, with the compliance requirements referred to above is that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of 4C Health and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit does not provide a legal determination of 4C Health's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to 4C Health's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on 4C Health's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgement made by a reasonable user of the report on compliance about 4C Health's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding 4C Health's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of 4C Health's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 4C Health's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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.

Board of Directors
4C Health
Rochester, Indiana

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of 4C Health as of and for the year ended June 30, 2022, and have issued our report thereon dated December 6, 2022, which contained an unmodified opinion on those financial statements. Our audit was performed 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 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.

Blue & Co., LLC

Indianapolis, Indiana
December 6, 2022

4C HEALTH

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2022

Federal Grantor/Pass-Through Grantor(s)/Program Title	Grant Identification #	Federal Assistance Listing Number	Federal Expenditures
Major program:			
Department of Health and Human Services (DHHS)			
COVID-19 - Provider Relief Fund	N/A	93.498	\$ 3,113,211
Non-major programs:			
DHHS			
COVID-19 - Certified Community Behavioral Health Clinic Expansion Grant - Section 223 Demonstration Program	H79SM083117	93.829	1,869,497
Indiana Division of Mental Health and Addictions (DMHA)			
Affiliated Service Providers of Indiana (ASPIN)			
Substance Abuse Prevention and Treatment Block Grant	3B08TI010019-19S1	93.959	438,543
Block Grant for Community Mental Health Services	2B09SM010019-19	93.958	119,814
Social Services Block Grant	1902INSOSR	93.667	48,019
Indiana Family and Social Services Administration			
Promoting Integrated Primary Behavioral Healthcare	56576	93.243	226,905
Total non-major programs			2,702,778
Total federal expenditures			\$ 5,815,989

See report on schedule of expenditures of federal awards required by the Uniform Guidance on page 27.
See notes to schedule of expenditures of federal awards.

4C HEALTH

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS JUNE 30, 2022

Note A - Basis of Presentation

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal award activity of Four County Health Comprehensive Mental Health Center, Inc. d/b/a 4C Health (4C Health) under programs of the federal government for the year ended June 30, 2022. 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 4C Health, it is not intended to and does not present the financial position, changes in net assets, or cash flows of 4C Health.

Note B – 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 the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. 4C Health has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

Note C – Sub-Recipient Pass Through

4C Health did not pass-through federal awards to sub-recipients during 2022.

Note D – Provider Relief Funds

Under terms and conditions of the Provider Relief Fund (PRF) grants authorized under the Coronavirus Aid, Relief, and Economic Security (CARES) Act and grants authorized under the American Rescue Plan Act (ARP), 4C Health is required to report COVID-19 related expenses and lost revenue to the U.S. Department of Health and Human Services (HHS). Guidance from HHS has required the reporting of the COVID-19 related expenses and lost revenue in certain reporting periods based on when the funds were received.

The 2022 Schedule includes PRF of approximately \$3,113,000 which was received by 4C Health between July 1, 2020 and June 30, 2021. 4C Health recognized this entire amount as revenue in its 2022 statement of activities and changes in net assets as the terms and conditions of the PRF grant were satisfied by 4C Health during 2022. Regardless of receipt and expenditures of these funds, HHS requires expenditures for these PRF amounts to be reported on the 2022 Schedule rather than the 2021 Schedule.

During 2022, 4C Health received PRF and ARP of approximately \$1,374,000. This entire amount was recorded as a refundable advance as of June 30, 2022. Regardless of receipt and expenditures of these funds, HHS requires expenditures for these PRF amounts to be reported on the 2023 Schedule rather than the 2022 Schedule.

Note E – Fair Market Value of Donated Personal Protective Equipment (Unaudited)

During 2022, 4C Health did not receive donated personal protective equipment from federal sources.

4C HEALTH

SCHEDULE OF FINDINGS AND QUESTIONED COSTS JUNE 30, 2022

Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? yes X no

Significant deficiency(ies) identified that are not considered to be material weakness(es)? yes X none reported

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal controls over major programs:

Material weakness(es) identified? yes X no

Significant deficiency(ies) identified that are not considered to be material weakness(es)? yes X none reported

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

Any audit findings disclosed that are required to be reported as defined by Uniform Guidance [2 CFR section 200.516(a)]? yes X no

Identification of major program:

CFDA Number
93.498

Name of Federal Program or Cluster
COVID-19 - Provider Relief Fund

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

Auditee qualified as low-risk auditee? X yes no

Section II – Findings related to financial statements reported in accordance with *Government Auditing Standards*:

None reported

Section III – Findings and questioned costs relating to Federal awards:

None reported

Section IV – Summary schedule of prior audit findings:

None reported
