



FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

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, 2023 and 2022, 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, 2023 and 2022, 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 October 26, 2023, 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
October 26, 2023

4C HEALTHSTATEMENTS OF FINANCIAL POSITION
JUNE 30, 2023 AND 2022

| | 2023 | 2022 |
|--|----------------------|----------------------|
| ASSETS | | |
| Current assets | | |
| Cash | \$ 1,807,576 | \$ 2,846,121 |
| Patient accounts receivable | 1,216,082 | 1,096,972 |
| Investments | 39,154,736 | 37,370,795 |
| Other receivables | 1,786,512 | 1,866,299 |
| Prepaid expenses and other | 286,595 | 276,282 |
| Total current assets | 44,251,501 | 43,456,469 |
| Property and equipment, net | 12,372,905 | 7,260,373 |
| Total assets | <u>\$ 56,624,406</u> | <u>\$ 50,716,842</u> |
| LIABILITIES AND NET ASSETS | | |
| Current liabilities | | |
| Accounts payable and other liabilities | \$ 1,722,716 | \$ 310,496 |
| Accrued payroll and benefits | 1,886,943 | 1,735,050 |
| Current portion of long-term debt | -0- | 66,109 |
| Estimated third-party settlements | 1,615,493 | 2,992,400 |
| Total current liabilities | 5,225,152 | 5,104,055 |
| Long-term liabilities | | |
| Long-term debt | -0- | 291,812 |
| Total liabilities | 5,225,152 | 5,395,867 |
| Net assets without donor restrictions | 51,399,254 | 45,320,975 |
| Total liabilities and net assets | <u>\$ 56,624,406</u> | <u>\$ 50,716,842</u> |

4C HEALTH

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS YEARS ENDED JUNE 30, 2023 AND 2022

| | 2023 | 2022 |
|---|-----------------------------|-----------------------------|
| Revenue and support | | |
| Patient service revenue | \$ 27,772,147 | \$ 27,530,714 |
| Other operating revenue | 737,839 | 646,100 |
| Public support | | |
| Federal funds | 3,151,657 | 5,815,989 |
| State and local funds | 182,830 | 348,393 |
| County funds | 734,801 | 705,468 |
| Administrative outreach | 2,169,517 | 1,862,771 |
| Other | 340,755 | 319,276 |
| Total public support | <u>6,579,560</u> | <u>9,051,897</u> |
| Total revenue and support | 35,089,546 | 37,228,711 |
| Operating expenses | | |
| Salaries and wages | 19,353,841 | 18,587,911 |
| Employee benefits | 3,796,114 | 3,870,480 |
| Contract services, maintenance, utilities and other operating expenses | 4,352,883 | 5,051,741 |
| Purchased services and insurance | 402,296 | 296,496 |
| Travel | 557,628 | 500,346 |
| Medical, living allotment and supplies | 143,031 | 136,445 |
| Depreciation | 909,526 | 660,518 |
| Interest | -0- | 13,215 |
| Total operating expenses | <u>29,515,319</u> | <u>29,117,152</u> |
| Operating income | 5,574,227 | 8,111,559 |
| Nonoperating revenue (expense), net | | |
| Loss on disposal of property and equipment | (536,048) | (191,506) |
| Investment return, net | 903,398 | 83,856 |
| Other | 136,702 | 143,060 |
| Total nonoperating revenue, net | <u>504,052</u> | <u>35,410</u> |
| Excess of revenues over expenses / change in net assets | 6,078,279 | 8,146,969 |
| Net assets, beginning of year | <u>45,320,975</u> | <u>37,174,006</u> |
| Net assets, end of year | <u><u>\$ 51,399,254</u></u> | <u><u>\$ 45,320,975</u></u> |

See accompanying notes to financial statements.

4C HEALTH

STATEMENTS OF FUNCTIONAL EXPENSES YEARS ENDED JUNE 30, 2023 AND 2022

| | 2023 | | | 2022 | | |
|---|------------------------|-------------------------------|----------------------|------------------------|-------------------------------|----------------------|
| | Healthcare Services | General and Administrative | Total | Healthcare Services | General and Administrative | Total |
| Expenses | | | | | | |
| Salaries and wages | \$ 15,737,887 | \$ 3,615,954 | \$ 19,353,841 | \$ 14,815,683 | \$ 3,772,228 | \$ 18,587,911 |
| Employee benefits | 3,087,000 | 709,114 | 3,796,114 | 3,273,256 | 597,224 | 3,870,480 |
| Contract services, maintenance, utilities and other operating expenses | 3,191,536 | 1,161,347 | 4,352,883 | 3,688,105 | 1,363,636 | 5,051,741 |
| Purchased services and insurance | 93,431 | 308,865 | 402,296 | 4,654 | 291,842 | 296,496 |
| Travel | 536,860 | 20,768 | 557,628 | 461,529 | 38,817 | 500,346 |
| Medical, living allotment and supplies | 76,533 | 66,498 | 143,031 | 65,854 | 70,591 | 136,445 |
| Depreciation | 739,626 | 169,900 | 909,526 | 554,189 | 106,329 | 660,518 |
| Interest | -0- | -0- | -0- | 10,630 | 2,585 | 13,215 |
| Total expenses | <u>\$ 23,462,873</u> | <u>\$ 6,052,446</u> | <u>\$ 29,515,319</u> | <u>\$ 22,873,900</u> | <u>\$ 6,243,252</u> | <u>\$ 29,117,152</u> |

See accompanying notes to financial statements.

4C HEALTH

STATEMENTS OF CASH FLOWS YEARS ENDED JUNE 30, 2023 AND 2022

| | 2023 | 2022 |
|--|--------------|--------------|
| Operating activities | | |
| Changes in net assets | \$ 6,078,279 | \$ 8,146,969 |
| Adjustments to reconcile change in net assets to net cash flows from operating activities | | |
| Depreciation | 909,526 | 660,518 |
| Loss on disposition of assets | 536,048 | 191,506 |
| Net unrealized and realized (gain) loss on investments | (172,623) | 123,676 |
| Changes in operating assets and liabilities | | |
| Patient accounts receivable | (119,110) | 113,972 |
| Other receivables | 79,787 | 176,191 |
| Prepaid expenses and other | (10,313) | (17,103) |
| Accounts payable and other liabilities | 1,412,220 | 91,383 |
| Accrued payroll and benefits | 151,893 | (45,338) |
| Estimated third-party settlements | (1,376,907) | (1,403,456) |
| Net cash flows from operating activities | 7,488,800 | 8,038,318 |
| Investing activities | | |
| Additions to property and equipment | (6,965,380) | (1,423,300) |
| Purchase of investments | (1,631,674) | (23,367,334) |
| Sale of investments | 20,356 | 17,088,277 |
| Proceeds from disposal of property and equipment | 407,274 | 9,300 |
| Net cash flows from investing activities | (8,169,424) | (7,693,057) |
| Financing activities | | |
| Principal payments on long-term debt | (357,921) | (63,522) |
| Change in cash | (1,038,545) | 281,739 |
| Cash, beginning of year | 2,846,121 | 2,564,382 |
| Cash, end of year | \$ 1,807,576 | \$ 2,846,121 |

See accompanying notes to financial statements.

4C HEALTH

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

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, 2023 and 2022, 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, 2021 approximated \$1,211,000.

4C HEALTH

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

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 2024.

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, 2023 AND 2022

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, 2023 and 2022, 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.

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NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

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 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 \$557,000 and \$831,000 during 2023 and 2022, 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, 2023 AND 2022

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 2023 and 2022, 4C Health recognized revenue of approximately \$27,772,000 and \$27,531,000, 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, 2023 AND 2022

A summary of patient service revenue for 2023 and 2022 follows:

| | 2023 | 2022 |
|---------------------------|----------------------|----------------------|
| Gross service charges | | |
| Inpatient | \$ 2,370,240 | \$ 3,363,548 |
| Outpatient and other | 43,210,172 | 40,818,325 |
| | <u>45,580,412</u> | <u>44,181,873</u> |
| Less deductions | | |
| Charity care | 4,111 | 3,778 |
| Contractual allowances | 17,640,360 | 16,390,311 |
| Implied price concessions | 163,794 | 257,070 |
| | <u>17,808,265</u> | <u>16,641,159</u> |
| Patient service revenue | <u>\$ 27,772,147</u> | <u>\$ 27,530,714</u> |

A summary of patient service revenue by payor type and service line for 2023 and 2022 follows:

| | 2023 | 2022 |
|--------------------------|----------------------|----------------------|
| Payor type | | |
| Medicaid | \$ 26,043,019 | \$ 24,014,289 |
| Self-pay | 180,834 | 664,937 |
| Medicare | 606,203 | 965,761 |
| Other third party payors | 942,091 | 1,885,727 |
| | <u>\$ 27,772,147</u> | <u>\$ 27,530,714</u> |

| | 2023 | 2022 |
|------------------------------|----------------------|----------------------|
| Service line | | |
| Inpatient | \$ 1,915,284 | \$ 2,052,361 |
| Outpatient | 5,130,613 | 4,468,037 |
| Medical clinic | 2,465,700 | 2,022,705 |
| Residential and school-based | 18,260,550 | 18,987,611 |
| | <u>\$ 27,772,147</u> | <u>\$ 27,530,714</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 \$3,000 and \$2,000 arose from providing services to charity patients during 2023 and 2022, 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, 2023 AND 2022

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 2023 and 2022.

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, 2023 AND 2022

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, 2023 and 2022 was approximately \$61,000 and \$23,000, 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.

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.

4C HEALTH

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

Management has analyzed the tax positions taken by 4C Health, and has concluded that as of June 30, 2023 and 2022, 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, 2022 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 amounts in the prior year financial statements have been reclassified to conform with the current year presentation. The reclassifications had no impact on previously reported net assets or changes in net assets.

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 October 26, 2023.

2. CHANGE IN ACCOUNTING PRINCIPLE

On July 1, 2022, 4C Health adopted the new lease accounting standard issued by the Financial Accounting Standards Board (FASB) and codified in the Accounting Standards Codification (ASC) as Topic 842 (ASC 842). The lease standard in ASC 842 intended to improve financial reporting about leasing transactions. 4C Health applied the modified retrospective approach to all lease agreements when adopting ASC 842. In addition, 4C Health elected the available practical expedients to account for its existing capital leases and operating leases as finance leases and operating leases, respectively, under the new guidance, without reassessing (a) whether any expired or existing contracts contain a lease, (b) whether classification of capital leases or operating leases would be different in accordance with the new guidance, or (c) whether the unamortized initial direct costs, if any, before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement. In addition, 4C Health elected the hindsight practical expedient to determine the lease term for existing leases as well as the short-term lease exemption practical expedient which excludes leases with a term of twelve months or less at commencement date. The adoption of ASC 842 did not have a significant impact to 4C Health as leases are not material to these financial statements.

3. 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.

4C HEALTH

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

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 2023 and 2022.

- *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.

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, 2023 and 2022 is as follows:

| | June 30, 2023 | | | |
|---------------------------------|----------------------|---------------------|---------------|---------------|
| | Total | Level 1 | Level 2 | Level 3 |
| Assets | | | | |
| Investments | | | | |
| Mutual Funds | | | | |
| Large blend | \$ 1,882,390 | \$ 1,882,390 | \$ -0- | \$ -0- |
| Total investments at fair value | 1,882,390 | <u>\$ 1,882,390</u> | <u>\$ -0-</u> | <u>\$ -0-</u> |
| Cash account* | 37,272,346 | | | |
| Total | <u>\$ 39,154,736</u> | | | |

4C HEALTH

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

| | 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 | <u>808,886</u> | <u>-0-</u> | <u>-0-</u> |
| Certificates of deposit* | 2,166,710 | | | |
| Cash account* | 34,395,199 | | | |
| Total | <u>\$ 37,370,795</u> | | | |

*Reported at contract value

Investment return, net consists of the following for 2023 and 2022:

| | 2023 | 2022 |
|--|-------------------|------------------|
| Interest income | \$ 730,775 | \$ 207,532 |
| Net realized and unrealized gain (loss) on investments | 172,623 | (123,676) |
| | <u>\$ 903,398</u> | <u>\$ 83,856</u> |

4. PROPERTY AND EQUIPMENT

A summary of property and equipment as of June 30, 2023 and 2022 follows:

| | 2023 | 2022 |
|-------------------------------|----------------------|---------------------|
| Land | \$ 650,300 | \$ -0- |
| Buildings and improvements | 14,713,430 | 11,975,999 |
| Equipment and other | 1,801,571 | 2,344,664 |
| | <u>17,165,301</u> | <u>14,320,663</u> |
| Less accumulated depreciation | 4,792,396 | 7,060,290 |
| Property and equipment, net | <u>\$ 12,372,905</u> | <u>\$ 7,260,373</u> |

5. LONG-TERM DEBT

A summary of long-term debt as of June 30, 2023 and 2022 follows:

| | 2023 | 2022 |
|---|---------------|-------------------|
| 3.375% fixed rate commercial loan payable to a bank in monthly installments of \$6,391 including interest, originally due July 2027; collateralized by property with a net book value of approximately \$300,000 as of June 30, 2022. Paid in full during 2023. | \$ -0- | \$ 357,921 |
| Less current portion | <u>-0-</u> | <u>66,109</u> |
| Total long-term debt | <u>\$ -0-</u> | <u>\$ 291,812</u> |

4C HEALTH

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

4C Health paid approximately \$-0- and \$13,000 in interest for the years ended June 30, 2023 and 2022, respectively. 4C Health's long-term debt instruments did not contain restrictive financial covenants.

6. 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.

7. 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 2023 and 2022 are \$1,768,000 and \$1,672,000, respectively. 4C Health purchased insurance which limits its exposure for individual claims to \$55,000 and an aggregate exposure of approximately \$2,000,000.

4C HEALTH

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

8. 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. Patient accounts receivable and patient service revenue from patients and third-party payors were composed as follows as of June 30:

| | Receivable | | Revenue | |
|--------------------------|-------------|-------------|-------------|-------------|
| | 2023 | 2022 | 2023 | 2022 |
| Medicaid | 71% | 65% | 94% | 87% |
| Medicare | 3% | 7% | 2% | 2% |
| Other Third Party Payors | 20% | 22% | 3% | 4% |
| Patients | 6% | 6% | 1% | 7% |
| | <u>100%</u> | <u>100%</u> | <u>100%</u> | <u>100%</u> |

9. 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:

| | 2023 | 2022 |
|-----------------------------|----------------------|----------------------|
| Financial assets | | |
| Cash | \$ 1,807,576 | \$ 2,846,121 |
| Patient accounts receivable | 1,216,082 | 1,096,972 |
| Investments | 39,154,736 | 37,370,795 |
| Other receivables | 1,786,512 | 1,866,299 |
| | <u>\$ 43,964,906</u> | <u>\$ 43,180,187</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.

10. 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. Effective June 30, 2022, 4C Health terminated its relationship with ASPIN. 4C Health received approximately \$955,000, in State and Federal pass through funds from ASPIN for the year ended June 30, 2022. In addition, 4C Health paid approximately \$15,000 in membership fees to ASPIN for the year ended June 30, 2022.

4C HEALTH

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

11. STATE, LOCAL, AND COUNTY FUNDING

During June 30, 2023 and 2022, 4C Health received and expended the following state, local and county funding:

| Grantor | 2023 | 2022 |
|--|-------------------|---------------------|
| State and local funding | | |
| Indiana Division of Mental Health and Addiction Managed Care Provider Agreement | \$ 182,830 | \$ 348,393 |
| County funding | | |
| Cass, Miami, Fulton and Pulaski County tax levies | 734,801 | 705,468 |
| Total state, local and county awards | <u>\$ 917,631</u> | <u>\$ 1,053,861</u> |

12. 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 was 5% of eligible participant compensation. During 2023, 4C Health changed the calculation of the employer contribution to a match of 100% up to 5% of eligible participant compensation. 4C Health recognized retirement plan expense of \$416,000 and \$607,000 for 2023 and 2022, respectively.

13. PROVIDER RELIEF FUNDS

During 2023 and 2022, Provider Relief Fund (PRF) grants authorized under the Coronavirus (COVID-19) 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 \$-0- and \$1,374,000 of PRF and ARP grants during 2023 and 2022, 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 recognized PRF and ARP amounts of approximately \$1,374,000 and \$3,113,000 as Federal funds within revenue and support in the statements of activities and changes in net assets during 2023 and 2022, respectively. PRF and ARP amounts of approximately \$-0- and \$1,374,000 were refundable advances included within estimated third party settlements in the statements of financial position as of June 30, 2023 and 2022, respectively.

4C HEALTH

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

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, 2023, 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 October 26, 2023.

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
October 26, 2023



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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, 2023. 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 that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

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, 2023, and have issued our report thereon dated DATE, 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
October 26, 2023

4C HEALTH

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2023

| 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 | \$ 1,373,984 |
| Non-major programs: | | | |
| Department of the Treasury | | | |
| Indiana Division of Mental Health and Addictions (DMHA) | | | |
| Coronavirus State and Local Fiscal Recovery Funds | 68236 | 21.027 | 324,739 |
| DHHS | | | |
| COVID-19 - Certified Community Behavioral Health Clinic | | | |
| Expansion Grant - Section 223 Demonstration Program | H79SM083117 | 93.829 | 534,385 |
| DMHA | | | |
| Substance Abuse Prevention and Treatment Block Grant | 3B08TI010019-19S1 | 93.959 | 421,744 |
| Block Grant for Community Mental Health Services | 2B09SM010019-19 | 93.958 | 88,789 |
| Social Services Block Grant | 1902INSOSR | 93.667 | 48,016 |
| Promoting Integrated Primary Behavioral Healthcare | 56576 | 93.243 | 360,000 |
| Total non-major programs | | | 1,777,673 |
| Total federal expenditures | | | \$ 3,151,657 |

See report on schedule of expenditures of federal awards required by the Uniform Guidance on page 26.
See notes to schedule of expenditures of federal awards.

4C HEALTH

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS JUNE 30, 2023

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, 2023. 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 2023.

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 2023 Schedule includes PRF of approximately \$1,374,000 which was received by 4C Health between July 1, 2021 and June 30, 2022 and recorded as a refundable advance as of June 30, 2022. 4C Health recognized this entire amount as revenue in its 2023 statement of activities and changes in net assets as the terms and conditions of the PRF grant were satisfied by 4C Health during 2023. 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 2023, 4C Health did not receive donated personal protective equipment from federal sources.

4C HEALTH

SCHEDULE OF FINDINGS AND QUESTIONED COSTS JUNE 30, 2023

Summary of Auditor's Results

Financial Statements

Type of auditor's 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 controls 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 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 ☒ no

Identification of major program:

Federal Assistance Listing 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? ☒ 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
