Community Clinical Services, Inc.

Audited Financial Statements

Years Ended December 31, 2021 and 2020
With Independent Auditors' Report

Baker Newman & Noyes LLC
MAINE I MASSACHUSETTS I NEW HAMPSHIRE
800.244.7444 I www.bnncpa.com

INDEPENDENT AUDITORS' REPORT

Board of Directors
Community Clinical Services, Inc.

Opinion

We have audited the financial statements of Community Clinical Services, Inc. (CCS), which comprise the balance sheets as of December 31, 2021 and 2020, the related statements of operations and changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of CCS as of December 31, 2021 and 2020, and the results of its operations 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 (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of CCS 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.

Substantial Doubt About CCS's Ability to Continue as a Going Concern

The accompanying financial statements have been prepared assuming that CCS will continue as a going concern. As discussed in Note 1 to the financial statements, CCS has suffered recurring losses from operations, historically offset by funding from an affiliated entity. The absence of a guaranteed ongoing funding commitment from this affiliate raises substantial doubt about the ability to continue as a going concern. Management's evaluation of the events and conditions and management's plans regarding these matters are also described in Note 1. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

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 CCS's ability to continue as a going concern for a period of one year from the issuance of the financial statements.

Auditors' 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 auditors' 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 GAAS 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 a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- 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 audit 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 CCS'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 judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about CCS'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 audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Baker Newman + Noyes LLC

Portland, Maine
May 2, 2022

COMMUNITY CLINICAL SERVICES, INC.

BALANCE SHEETS

December 31, 2021 and 2020

	2021	2020
ASSETS		
Current assets:		
Cash and cash equivalents	$1,945,895	$1,449,120
Accounts receivable	605,517	664,899
Prepaid expenses and other current assets	158,860	160,308
Due from affiliates (note 9)	51,631	1,442,188
Total current assets	2,761,903	3,716,515
Property, plant and equipment	225,028	794,832
Accumulated depreciation	(152,129)	(704,853)
Net property, plant and equipment (note 4)	72,899	89,979
Investments (note 5)	44,272	44,427
Donor restricted	44,673	250,123
Total assets	$2,923,747	$4,101,044
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	$ 35,041	$ 12,823
Accrued expenses	704,703	598,687
Estimated third-party payor settlements (note 3)	–	47,630
Due to affiliates (note 9)	132,532	59,504
Other current liabilities	129,185	223,506
Total current liabilities	1,001,461	942,150
Other long-term liabilities (note 2)	–	303,561
Paycheck Protection Program Loan (note 2)	–	1,671,337
Total liabilities	1,001,461	2,917,048
Commitments and contingencies (notes 10 and 12)		
Net assets:		
Without donor restrictions	1,877,613	933,873
With donor restrictions	44,673	250,123
Total net assets	1,922,286	1,183,996
Total liabilities and net assets	$2,923,747	$4,101,044

See accompanying notes.

COMMUNITY CLINICAL SERVICES, INC.

STATEMENTS OF OPERATIONS
AND CHANGES IN NET ASSETS

Years Ended December 31, 2021 and 2020

	2021	2020
Revenues without donor restrictions and other support:		
Patient service revenue (notes 3 and 6)	$10,074,019	$ 9,295,997
Other revenue (note 2)	2,950,256	2,024,789
Paycheck Protection Program income (note 2)	1,671,337	–
Net assets released from restrictions	231,000	113,968
Total revenues without donor restrictions and other support	14,926,612	11,434,754
Expenses (notes 7 and 9):		
Salaries and wages	6,879,335	6,306,746
Employee benefits	1,768,888	1,476,059
Supplies and other (note 10)	5,308,579	5,237,275
Provider and other taxes	8,830	6,997
Depreciation (note 4)	17,080	26,035
Total expenses	13,982,712	13,053,112
Gain (loss) from operations	943,900	(1,618,358)
Nonoperating (losses) gains, net (note 5)	(160)	2,179
Excess (deficiency) of revenues over expenses	943,740	(1,616,179)
Increase (decrease) in net assets without donor restrictions	943,740	(1,616,179)

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COMMUNITY CLINICAL SERVICES, INC.

STATEMENTS OF OPERATIONS
AND CHANGES IN NET ASSETS (CONTINUED)

Years Ended December 31, 2021 and 2020

	2021	2020
Changes in net assets without donor restrictions (continued):		
Excess (deficiency) of revenues over expenses	$ 943,740	$ (1,616,179)
Increase (decrease) in net assets without donor restrictions	943,740	(1,616,179)
Net assets with donor restrictions:		
Restricted contributions	25,550	259,901
Net assets released from restrictions	(231,000)	(113,968)
(Decrease) increase in net assets with donor restrictions	(205,450)	145,933
Increase (decrease) in net assets	738,290	(1,470,246)
Net assets, beginning of year	1,183,996	2,654,242
Net assets, end of year	$ 1,922,286	$ 1,183,996

See accompanying notes.

COMMUNITY CLINICAL SERVICES, INC.

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2021 and 2020

	2021	2020
Cash flow from operating activities:		
Increase (decrease) in net assets	$ 738,290	$ (1,470,246)
Adjustments to reconcile increase (decrease) in net assets to net cash used by operating activities:		
Restricted contributions	(25,550)	(259,901)
Depreciation	17,080	26,035
Net unrealized depreciation (appreciation) on investments	1,055	(1,195)
Forgiveness of Payroll Protection Program loan	(1,671,337)	–
Change in cash resulting from a change in:		
Accounts receivable	59,382	(235,440)
Prepaid expenses and other current assets	1,448	48,732
Accounts payable and accrued expenses	128,234	(101,983)
Other liabilities	(397,882)	527,067
Due to third-party payor settlements	(47,630)	–
Net cash used by operating activities	(1,196,910)	(1,466,931)
Cash flow from investing activities:		
Purchase of investments	(900)	(139,909)
Net change in donor restricted funds	205,450	–
Net cash provided (used) by investing activities	204,550	(139,909)
Cash flow from financing activities:		
Restricted contributions	25,550	259,901
Proceeds from Payroll Protection Program loan	–	1,671,337
Transfers from affiliates	1,463,585	617,211
Net cash provided by financing activities	1,489,135	2,548,449
Net increase in cash and cash equivalents	496,775	941,609
Cash and cash equivalents at beginning of year	1,449,120	507,511
Cash and cash equivalents at end of year	$ 1,945,895	$ 1,449,120

See accompanying notes.

1. Organization

Community Clinical Services, Inc. (CCS) is a not-for-profit corporation that is a federally qualified health center (FQHC) look-a-like. The practice sites offer a comprehensive network of primary care, psychiatric and dental providers to residents of Lewiston/Auburn, Maine and surrounding communities. St. Mary's Health System (SMHS) is the sole corporate member of CCS with limited reserve powers. Covenant Health (Covenant) of Tewksbury, Massachusetts is the sole corporate member of SMHS.

CCS receives financial support from SMHS. Due to the significance of the transactions described in Note 9 between CCS and SMHS, the results of operations of CCS may not be indicative of the results which would have been attained had CCS not been an affiliate of SMHS. Community grants from SMHS have largely supported CCS's working capital requirements. CCS's ability to continue operations on an ongoing basis is dependent upon CCS generating sufficient cash flow to fulfill its obligations related to operating expenses and, to the extent necessary, receiving continued financial support from SMHS.

SMHS has committed to provide financial support to CCS to cover a substantial portion of operating losses based on the 2022 approved budget. SMHS has not yet committed to provide ongoing financial support for 2023. Management intends to approach SMHS for an additional amount of a community grant during the 2023 budget process, however, there can be no certainty such funding will be provided.

The accompanying financial statements have been prepared assuming that CCS will continue as a going concern. The above developments raise substantial doubt about CCS's ability to continue as a going concern. The financial statements do not include any adjustments related to the recoverability or classification of asset carrying amounts or amounts or classification of liabilities that might result from the outcome of this uncertainty.

2. Significant Accounting Policies

The accounting policies that affect the more significant elements of the financial statements of CCS are summarized below:

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The most significant estimate is made in the area of accounts receivable.

2. Significant Accounting Policies (Continued)

Concentration of Credit Risk

Financial instruments which subject CCS to credit risk consist of cash equivalents and accounts receivable. The risk with respect to cash equivalents is minimized by CCS's policy of investing in financial instruments with short-term maturities issued by highly rated financial institutions. CCS has not experienced any losses in such accounts and believes it is not exposed to any significant risk at December 31, 2021. Accounts receivable represent receivables from patients and third-party payors for services provided by CCS. Patient accounts receivable from the Centers for Medicare and Medicaid Services (CMS) comprised 30% and 22% of active receivables at December 31, 2021 and 2020, respectively. Patient accounts receivable from MaineCare, the State of Maine's Medicaid program, comprised 36% and 30% of active receivables, at December 31, 2021 and 2020 respectively. The remainder of patient accounts receivable are to be collected from commercial insurers or directly from patients.

Income From Operations

Revenue which is related to patient medical care and which is normal to day-to-day operations of CCS is included in operating income. Activities that result in gains and losses unrelated to CCS's primary mission are considered to be nonoperating. Nonoperating gains and losses include return on investments and other miscellaneous amounts.

Patient Service Revenue

Patient service revenue is reported at the amount that reflects the consideration to which CCS expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payors (including health insurers and government programs), and others and include variable consideration (reductions to revenue) for retroactive revenue adjustments due to settlement of ongoing and future audits, reviews, and investigations.

CCS uses a portfolio approach to account for categories of patient contracts as a collective group rather than recognizing revenue on an individual contract basis. The portfolios primarily consist of major types of payors. Based on historical collection trends and other analyses, CCS believes that revenue recognized by utilizing the portfolio approach approximates the revenue that would have been recognized if an individual contract approach were used.

Sliding Fee

CCS provides care to patients who meet certain criteria under its sliding fee policy at amounts less than its established rates. Because CCS does not pursue collection of amounts determined to qualify as sliding fees, these amounts are not included in patient service revenue and are measured based on CCS's charges. Costs and expenses incurred in providing these services are included in operating expenses.

CCS determines the costs associated with providing sliding fee services by calculating a ratio of cost to gross charges, and then multiplying that ratio by the gross uncompensated charges associated with providing care to patients eligible for sliding fees. The costs of caring for patients on a sliding fee for the years ended December 31, 2021 and 2020 were $71,853 and $196,451, respectively.

2. Significant Accounting Policies (Continued)

Cash and Cash Equivalents

Cash and cash equivalents include investments in highly liquid instruments which have a maturity of three months or less when purchased.

Accounts Receivable

Patient accounts receivable, including billed accounts and unbilled accounts for which there is an unconditional right to payment, and estimated amounts due from third-party payors for retroactive adjustments, are receivables if the right to consideration is unconditional and only the passage of time is required before payment of that consideration is due. The estimated uncollectable amounts are generally considered implicit price concessions that are a direct reduction to patient accounts receivable rather than allowance for doubtful accounts.

Investments

Investments are measured at fair value on the balance sheet. Investment income, including realized and unrealized gains and losses on investments, interest and dividends, is included in the excess (deficiency) of revenue over expenses unless the income is restricted by donor or law. Gains and losses on sales of investments are computed based on specific identification of the investment sold.

The fair value topic of the Accounting Standards Codification (ASC) defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). Under GAAP, certain assets and liabilities must be measured at fair value, and disclosures are required for items measured at fair value. Entities may elect to report financial instruments and certain other items at fair value on a contract-by-contract basis with changes in value reported in the excess (deficiency) of revenue over expenses. The election was made for all financial instruments classified as investments. CCS made this election to reflect changes in the fair value, including both increases and decreases in value whether realized or unrealized, in its excess (deficiency) of revenue over expenses.

Investments, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. As such, it is reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the balance sheets, statements of operations, and changes in net assets.

Property, Plant and Equipment

Property, plant and equipment is stated at cost, or if donated, at fair market value at time of donation, less accumulated depreciation. CCS's policy is to capitalize expenditures for major improvements and charge maintenance and repairs currently for expenditures which do not extend the lives of the related assets. The provision for depreciation is determined by the straight-line method at rates intended to amortize the cost of related assets over their estimated useful lives.

2. Significant Accounting Policies (Continued)

CCS reviews its long-lived assets when events or changes in circumstances indicate that the carrying amount of such assets may not be fully recoverable. Upon determination that an impairment has occurred, these assets are reduced to fair value. No such impairment losses have been recognized to date. Long-lived assets to be disposed of are reported at the lower of carrying amount or fair value less the cost to dispose.

Donor-Restricted Gifts

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are not recognized until the related conditions have been met. The gifts are reported as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of operations as net assets released from restrictions.

Retirement Plan

SMHS sponsors a defined contribution plan for substantially all full-time employees with two years of service with CCS. Contributions under the plan represent up to a 2% match based upon an employee's contributions through salary deferrals. In addition, CCS may make a discretionary contribution to the plan. Contributions by CCS to the defined contribution plan were $117,383 and $79,297 in 2021 and 2020, respectively.

Income Taxes

CCS is considered a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code.

Tax-exempt organizations could be required to record an obligation for income taxes as the result of a tax position they have historically taken on various tax exposure items including unrelated business income or tax status. Under guidance issued by the Financial Accounting Standards Board, assets and liabilities are established for uncertain tax positions taken or positions expected to be taken in income tax returns when such positions are judged to not meet the "more-likely-than-not" threshold, based upon the technical merits of the position. CCS has evaluated the positions taken on its filed tax returns. CCS has concluded no uncertain income tax positions exist at December 31, 2021.

Subsequent Events

Events occurring after the balance sheet date are evaluated by management to determine whether such events should be recognized or disclosed in the financial statements. Management has evaluated subsequent events through May 2, 2022 which is the date the financial statements were available to be issued.

2. Significant Accounting Policies (Continued)

COVID-19 Pandemic and CARES Act and Other Relief Funding

On March 11, 2020, the World Health Organization declared the outbreak of COVID-19, a disease caused by the novel coronavirus, a pandemic. This disease continues to spread throughout the United States and other parts of the world. The COVID-19 pandemic has significantly affected employees, patients, systems, communities and business operations, as well as the U.S. economy and financial markets. As the COVID-19 crisis continues to evolve, the full extent to which COVID-19 will impact future business, results of operations, financial condition and liquidity will depend on developments that are highly uncertain and cannot be accurately predicted. For example, it is not possible to predict or control the severity or duration of the pandemic, including whether there will be additional periods of increases in the number of COVID-19 cases in areas in which CCS operates, the timing and availability of effective medical treatments and vaccines or the efficacy of public health controls.

Since the declaration of the pandemic, CCS has received approximately $216,000 in Provider Relief Fund distributions, provided for under *The Coronavirus Aid, Relief, and Economic Security Act* (CARES Act). The distributions from the Provider Relief Fund are not subject to repayment, provided CCS is able to attest to and comply with the terms and conditions of the funding, including demonstrating that the distributions received have been used for healthcare-related expenses or lost revenue attributable to COVID-19. Such payments are accounted for as government grants, and are recognized on a systematic and rational basis as other income once there is reasonable assurance that the applicable terms and conditions required to retain the funds will be met. Based on an analysis of the compliance and reporting requirements of the Provider Relief Fund and the impact of the pandemic on operating results through December 31, 2020, CCS recognized $216,000 recorded within other revenue in the statements of operations for the year ended December 31, 2020.

During the year ended December 31, 2020, CCS received approximately $233,000 of accelerated Medicare payments. Payments under the Medicare Accelerated and Advanced Payment Program are advances that must be repaid. At December 31, 2020, no repayments had been made and, based on repayment guidelines, $59,000 was recorded as a short-term liability and $174,000 as a long-term liability. At December 31, 2021, CCS had repaid approximately $113,000 and, based on repayment guidelines, $120,000 was recorded as a short-term liability. The CARES Act also authorized the deferral of employment tax payment. At December 31, 2021, approximately $129,000 in deferred payroll taxes was recorded as a short-term liability. At December 31, 2020, approximately $129,000 in deferred payroll taxes was recorded as a short-term liability and approximately $129,000 as a long-term liability.

In addition, in April 2020, CCS received loan proceeds in the amount of $1,671,337 under the Paycheck Protection Program (PPP). The PPP, established as part of the CARES Act, provides for loans to qualifying businesses for amounts up to 2.5 times the average monthly payroll expenses of the qualifying business. In June 2021, CCS received notification that 100% of its PPP loan has been forgiven by the Small Business Administration and no further action is required. CCS recognized $1,671,337 as other revenue for the year ended December 31, 2021.

3. Estimated Third-Party Payor Settlements

CCS renders various health care services to patients who receive benefits under the federal Medicare and the state MaineCare (Medicaid) programs. CCS is designated as a Federally Qualified Health Center look-a-like under the Medicare and MaineCare programs. Providers of health center services to Medicare and MaineCare eligible patients are paid on a prospective basis, with no retrospective settlement. The prospective payment is based on CCS's historical cost as determined in established base periods. The average base period cost is inflated to the current year using the Medicare Economic Index.

CCS may also be eligible to receive additional reimbursement calculated pursuant to the Medicare list of allowable expenses determined after the year has closed. This calculation involves discretion by Medicare and an absolute dollar amount is not considered to be determinable. Accordingly, CCS adjusts their calculation to incorporate a price concession based on their experience and accrues an amount at year end based upon management's estimate of the amount believed to be recognizable. At times, the adjustment can be negative to correctly reflect the most accurate estimates at year end.

Laws and regulations governing the Medicare and MaineCare programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

The financial statements reflect estimated settlements under these programs. Settlements do not become final until cost reports are audited and approved by the program administrators. Medicare cost reports have been filed through 2020. During each fiscal year, adjustments to revenues are recorded for revisions made against estimates for prior cost report balances and for differences between actual settlements and the corresponding amounts recorded in CCS's records. There were no settlements or changes in prior year estimates which had an impact on 2021 or 2020 patient service revenues.

4. Property, Plant and Equipment

Property, plant and equipment consists of the following at December 31:

	2021	2020
Furniture and fixtures	$ 54,858	$ 62,244
Equipment	170,170	732,588
	225,028	794,832
Less accumulated depreciation	(152,129)	(704,853)
	$ 72,899	$ 89,979

5. Investments

Covenant invests certain assets on behalf of CCS. Covenant invests the amount in a pooled investment fund and allocates the return from the investment pool to CCS. The investment pool is invested in equity mutual funds and amounts are available to CCS on demand. At December 31, 2021 and 2020, funds invested on behalf of CCS totalled $44,272 and $44,427, respectively.

Fair Value Measurements

GAAP has established a fair value hierarchy that results in classification of assets and liabilities within three different levels. Financial assets and liabilities carried at fair value are classified and disclosed in one of the following three categories:

Level 1 – Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 – Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or similar assets or liabilities.

Level 3 – Valuations for assets and liabilities not based on market exchange transactions are classified as Level 3. Level 3 valuations incorporate certain assumptions in determining the fair value assigned to such assets or liabilities.

In determining the appropriate levels, CCS performs a detailed analysis of the assets that are subject to fair value measurements.

Investments held by Covenant are classified as Level 2 as amounts held could be realized at any time.

6. Patient Service Revenue

Revenues generally relate to contracts with patients in which CCS's performance obligations are to provide health care services to patients. Revenues are recorded during the period obligations to provide health care services are satisfied. Performance obligations are generally satisfied over a period of less than one day. The contractual relationships with patients, in most cases, also involve a third-party payor (Medicare, Medicaid and commercial insurance companies) and the transaction prices for the services provided are dependent upon the terms provided by Medicare and Medicaid or negotiated with commercial insurance companies, the third-party payors. The payment arrangements with third-party payors for the services provided to related patients typically specifies payments at amounts less than standard charges. Management continually reviews the revenue recognition process to consider and incorporate updates to laws and regulations and the frequent changes in managed care contractual terms resulting from contract renegotiations and renewals.

Revenues are based upon estimated amounts that CCS expects to be entitled to receive from patients and third-party payors. Revenues under commercial insurance plans are based upon the payment terms specified in the related contractual agreements. Revenues related to uninsured patients and uninsured copayment and deductible amounts for patients who have health care coverage may have discounts applied and the recorded revenue is based primarily on historical collection experience.

6. Patient Service Revenue (Continued)

CCS also provides health and dental services under sliding scale fee arrangements. The criteria for sliding scale measures family income against the income poverty guidelines established by the Department of Health and Human Services. Determination of eligibility for sliding scale is granted on a sliding fee basis.

Listed below is the sliding scale criterion utilized by CCS to determine eligibility for discounted services:

Relation to Poverty Level	Financial Responsibility
Up to 100%	$0 charge
101% - 125%	$5 charge
126% - 150%	$10 charge
151% - 175%	$15 charge
176% - 200%	$20 charge
Greater than 200%	100% of bill

Revenues from third-party payors, the uninsured and other revenues are summarized as follows for the fiscal years ended December 31:

	2021	2020
Commercial	$ 2,084,549	$ 2,069,252
Medicaid	5,910,777	5,259,464
Medicare	2,009,038	1,921,552
Self-pay	69,655	45,729
Patient service revenue	$ 10,074,019	$ 9,295,997

7. Functional Expenses

CCS provides clinical health care services. Expenses related to providing these services are as follows for the years ended December 31:

	General and Administrative	Health Services	Total
2021			
Salaries and wages	$ 674,706	$ 6,204,629	$ 6,879,335
Employee benefits	173,488	1,595,400	1,768,888
Supplies and other	1,829,051	3,479,528	5,308,579
Provider and other taxes	–	8,830	8,830
Depreciation	2,152	14,928	17,080
	$ 2,679,397	$ 11,303,315	$ 13,982,712

7. Functional Expenses (Continued)

	General and Administrative	Health Services	Total
2020			
Salaries and wages	$ 407,125	$ 5,899,621	$ 6,306,746
Employee benefits	95,285	1,380,774	1,476,059
Supplies and other	1,812,849	3,424,426	5,237,275
Provider and other taxes	–	6,997	6,997
Depreciation	3,280	22,755	26,035
	$2,318,539	$10,734,573	$13,053,112

The financial statements report certain expense categories that are attributable to more than one healthcare service or support function. Therefore, these expenses require an allocation on a reasonable basis that is consistently applied. Costs not directly attributable to a function, including depreciation, are allocated to a functional region based on a square-footage or units-of-service basis.

8. Net Assets With Donor Restrictions

Net assets with donor restrictions are available for the following purposes at December 31:

	2021	2020
Healthcare	$ 44,673	$250,123

9. Related Party Transactions

SMHS and certain of its subsidiaries provided insurance and other services and billed CCS approximately $3,039,000 and $2,967,000 in 2021 and 2020, respectively.

At December 31, 2021 and 2020, CCS has amounts due (to) from affiliates of $(36,228) and $1,632,807, respectively. The amount due to affiliates is primarily due to SMHS related to back-end contracted services. The amount due from affiliates is primarily due from SMHS related to the community grant and donor restricted funds held in a cash account by SMHS.

SMHS provides support to CCS through a community grant to meet operating expenses and for other cash flow purposes. Certain of the community grant transfers are meant to bring CCS to a break-even bottom line. Transfers are recorded prior to excess (deficiency) of revenues over expenses to the extent required to break even. Other transfers are recorded directly to net assets without donor restrictions as a transfer for cash flow purposes. There were no transfers from SMHS in 2021 or 2020 recorded directly to net assets. Repayment of transfers from SMHS are not required or expected.

10. Lease Commitments

Rent expense, primarily for administrative office space, for the years ended December 31, 2021 and 2020 was $32,128 and $34,161, respectively.

CCS also leases primarily medical office space through various rental agreements with SMHS and certain of its subsidiaries which are renewed on a year-to-year basis. Rent expense for 2021 and 2020 was $321,477 and $319,447, respectively.

11. Liquidity

Financial assets available for general expenditure within one year of the balance sheet date, consist of the following at December 31, 2021:

Cash and cash equivalents	$1,945,895
Investments	44,272
Accounts receivable	605,517
	$2,595,684

CCS regularly monitors liquidity required to meet operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. CCS has various sources of liquidity at its disposal, including cash and cash equivalents, investments, and funding from SMHS. See Note 1 for information about SMHS's funding commitment through 2022.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, CCS considers all expenditures related to its ongoing activities of providing healthcare as well as the conduct of services undertaken to support those activities to be general expenditures.

12. Contingencies

Regulatory

The health care industry is subject to numerous laws and regulations of federal, state and local governments. Recently, government activity has increased with respect to investigations and allegations concerning possible violations by health care providers of fraud and abuse statutes and regulations, which could result in the imposition of significant fines and penalties as well as significant repayments for patient services previously billed. Compliance with such laws and regulations are subject to government review and interpretations as well as regulatory actions unknown or unasserted at this time.

12. Contingencies (Continued)

Malpractice Insurance

CCS insures its medical malpractice risks on a claims made basis. At December 31, 2021, there were no known malpractice claims outstanding which, in the opinion of management, will be settled for amounts in excess of insurance coverage. CCS intends to renew coverage on a claims made basis and anticipates that such coverage will be available.

In accordance with ASU No. 2010-24, *Health Care Entities (Topic 954): Presentation of Insurance Claims and Related Insurance Recoveries* (ASU 2010-24), there is no receivable related to estimated recoveries under insurance coverage for potential losses. There was no liability recorded as of December 31, 2021 and 2020.